



## Auditors' Report

on annual accounting (financial) statements

«Commercial Indo Bank» Limited Liability Company

for 2020

### Information about the audited entity

Organization name:

«Commercial Indo Bank» Limited Liability Company

Location:

109147, Moscow, Marksistskaya st., 16

OGRN:

1037711012998 (05.11.2003)

Registration by the Bank of Russia:

3446 (05.11.2003)

Licenses for the activities carried out:

License for banking operations with funds in rubles and foreign currency (without the right to attract deposits from individuals) № 3446 issued by the Bank of Russia on October 28, 2013

## Independent Auditor's Report

TO PARTICIPANTS "Commercial Indo Bank" Limited Liability Organization

### OPINION

We have audited the attached annual accounting (financial) statements "Commercial Indo Bank" Limited Liability Organization, hereinafter referred to as the Bank, consisting of:

- ✓ Balance sheet ( published form) for 2020;
  - ✓ Statement of financial results (published form) for 2020;
  - ✓ Appendices to the balance sheet and the statement of financial results in the composition:
    - Report on the level of adequacy to cover risks (published form) as of January 1, 2021.
    - Statement of changes in the capital of a credit institution (published form) as of January 1, 2021.
    - Information on mandatory ratios, leverage ratio and short-term liquidity ratio (published form) as of January 1, 2021.
    - Statement of cash flows (published form) as of January 1, 2021.
- Explanatory information to the annual accounting (financial) statements.

In our opinion, the attached annual ( financial) statements reflect fairly, in all material respects, the financial position of the Bank as at 31 December, 2020, financial results of its activities and cash flows for 2020 in accordance with the rules for preparing financial statements established in the Russian Federation.

### BASIS FOR EXPRESSING OPINION

We conducted our audit in accordance with International Standards on Auditing(ISA).Our responsibility in accordance with these standards is disclosed in the section "Auditor's Responsibility for the Audit of the Annual Accounting (Financial) Statements " of this Report. We are independent in relation to the Bank in accordance with the Rules of Independence of Auditors and Auditing Organizations and the Code of Professional Ethics of Auditors, complying with the International Code of Ethics for Professional Accountants (including international standards of independence), developed by the International Ethics Standards Board for Professional Accountants, and we have performed other duties in accordance with these requirements of professional ethics. We believe, that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### REPORT ON THE RESULTS OF VERIFICATION IN ACCORDANCE WITH THE REQUIREMENTS OF THE FEDERAL LAW OF DECEMBER 2, 1990 № 395-1"ON BANKS AND BANKING ACTIVITIES"

The Bank's management is responsible for the Bank's compliance with the mandatory ratios established by the Bank of Russia, and also for the compliance of the internal control and organization of the Bank's risk management systems with the requirements set by the Bank of Russia for each systems.

In accordance with Article 42 of the federal law of December 2, 1990 № 395-1"On Banks and Banking Activities " during the audit of the annual accounting (financial) statements of the Bank for 2020,we conducted an audit :

Compliance by the Bank as of January 1, 2021 with the mandatory ratios established by the Bank of Russia;



Compliance of internal control and organization of the Bank's risk management systems with the requirements set by the Bank of Russia for such systems.

The above verification was limited to such procedures selected on the basis of our judgment as inquiries, analysis, examination of documents, comparison of the requirements, procedures and methods approved by the Bank with the requirements of the Bank of Russia, as well as recalculation and comparison of numerical indicators and other information.

As a result of our verification, the following was established:

1) in terms of the Bank's compliance with the mandatory ratios established by the Bank of Russia:

the values of the mandatory ratios established by the Bank of Russia as of January 1, 2021 were within the limits established by the Bank of Russia.

We have not performed any procedures with respect to the accounting records of the Bank, other than procedures that we have deemed necessary for the purpose of expressing an opinion that, the annual accounting (financial) statements of the Bank faithfully reflects, in all material respects, its financial position as of January 1, 2021, its financial results of operations and cash flows for 2020 in accordance with the Russian rules for preparing annual accounting (financial) statements by credit institutions;

2) in terms of compliance of the internal control and organization of the Bank's risk management systems with the requirements set by the Bank of Russia for such systems:

a) in accordance with the requirements and recommendations of the Bank of Russia as of December 31, 2020, the internal audit service of the Bank is subordinate and accountable to the Board of Directors of the Bank, the risk management divisions of the Bank were not subordinate and were not accountable to divisions, that accept the relevant risks, the heads of the internal audit service and the risk management divisions of the Bank comply with the qualification requirements established by the Bank of Russia;

b) internal documents of the Bank in force as of December 31, 2020, establishing methods for identifying and managing risks significant for the Bank, stress-testing was approved by the authorized management bodies of the Bank in accordance with the requirements and recommendations of the Bank of Russia;

c) availability of a reporting system in the Bank as of December 31, 2020 on credit, operational, market, interest rate, legal risks, risks of loss of liquidity and risks of loss of business reputation, as well as the Bank's own funds (capital);

d) the frequency and sequence of reports prepared by the Bank's risk management divisions and the Bank's internal audit service during 2020 on the management of significant risks were consistent with the Bank's internal documents; these reports included the results of observation by the Bank's risk management divisions and the Bank's internal audit service in relation to assessing the effectiveness of the Bank's relevant methods, as well as recommendations for their improvement;

e) as of December 31, 2020, the powers of the Board of Directors of the Bank and its executive management bodies include control over the Bank's compliance with the limit values of risks and the adequacy of equity (capital) established by the Bank's internal documents. In order to monitor the effectiveness of the risk management procedures applied in the Bank and the consistency of their application during 2020, the Board of Directors of the Bank and its executive management bodies periodically discussed reports prepared by the Bank's risk management divisions and the internal audit service, and considered proposed measures to eliminate deficiencies.

The procedures in relation to the internal control and organization of the Bank's risk management systems were carried out by us solely for the purpose of verifying the compliance of the internal control and the organization of the Bank's risk management systems with the requirements set by the Bank of Russia for such systems.



## **RESPONSIBILITY OF MANAGEMENT AND PERSONS RESPONSIBLE FOR CORPORATE GOVERNANCE OF THE BANK FOR ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS**

The management is responsible for the preparation and accurate presentation of the specified annual accounting (financial) statements in accordance with the rules for drawing up accounting (financial) statements established in the Russian Federation, and for the system of internal control, which management considers necessary for the preparation of annual accounting (financial) statements that do not contain material misstatements due to fraud or errors.

In preparing the annual accounting (financial) statements, management is responsible for assessing the Bank's ability to continue as a going concern,

for disclosing, as appropriate, going concern information and for reporting on a going concern basis,

unless the management intends to liquidate the Bank, terminate its activities or when it has no other realistic alternative other than liquidation or termination of activities.

Members of the Board of Directors are responsible for overseeing the preparation of the Bank's annual accounting (financial) statements.

## **RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS**

Our objective is to obtain reasonable assurance that the annual accounting (financial) statements are free of material misstatement due to fraud or error, and in drawing up an auditor's report containing our opinion.

Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect material misstatements, if there are any.

Misstatements may result from fraud or error and are considered significant,

if it can be reasonably assumed that, individually or in the aggregate, they can influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we do the following:

a) identify and assess the risks of material misstatement of the annual accounting (financial) statements due to fraud or errors; develop and conduct audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is higher than the risk of not detecting material misstatement due to error, as fraud may include collusion, forgery, deliberate omission, misrepresentation of information or actions bypassing the internal control system;

b) obtain an understanding of the internal control system relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;

c) assess the appropriateness of the accounting policies used, the reasonableness of accounting estimates and the relevant disclosures prepared by the Bank's management;

d) we conclude on the legality of the Bank's management applying the going concern assumption,

and based on the audit evidence obtained, a conclusion about whether there is a material uncertainty in connection with events or conditions, as a result of which there may be significant doubts about the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our auditor's report to the corresponding disclosures in the annual accounting (financial) statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our auditor's report.



However, future events or conditions may cause the Bank to no longer be able to continue as a going concern;

e) we assess the presentation of annual accounting (financial) statements as a whole, their structure and content, including disclosure of information, and whether the annual accounting (financial) statements present the underlying transactions and events in a manner that ensures their fair presentation.

We carry out informational interaction with members of the Board of Directors of the Bank, bringing to their attention, besides, information on the planned scope and timing of the audit, as well as on significant comments on the results of the audit, including on significant deficiencies in the internal control system that we identify during the audit.

We also provide the Members of the Board of Directors of the Bank with a statement that we have complied with all relevant ethical requirements with regard to independence and have informed these persons of all relationships and other matters that can reasonably be considered to have an impact on the independence of the auditor, and, if necessary, on the appropriate safeguards.

The chief audit officer who has issued this independent auditor's report

Elkhimova Tatiana Viktorovna  
(sq. at. auditor No. 06-000060, issued on the basis of the decision of NP AAS dated March 30, 2012, Minutes No. 55 for an unlimited period)  
By virtue of Power of Attorney No. 2/20 dated 10.01.2020



Auditing organization:  
Limited liability company  
"Collegium of Tax Consultants"  
OGRN 1025005242140  
123007, Moscow, st. Polina Osipenko, 18, bldg. 2, apt. 354  
member of the Self-Regulatory Organization of Auditors Association "Sodruzhestvo"  
Number in the register of auditors and audit organizations SRO 10206018011

March 22, 2021.

Bank reporting			
Territory code	Credit institution (branch) code	by OKATO	by OKPO
145381000	171649603	3446	

BALANCE SHEET  
(published form)  
for 2020

Full or abbreviated corporate name of the credit institution  
Commercial Indo Bank (Limited Liability Company)  
/ Commercial Indo Bank (LLC)

Address (location) of the credit institution  
109147, Moscow, Marksistskaya st., 16

Form Code by OKUD 0409806 Quarterly(annual)				
Line number	Article Title	Explanation number	Data for the reporting period, thousand rubles	Data for previous reporting year, thousand rubles
1	2	3	4	5
I. ASSETS				
1.1	Cash	16.1.1	12415	18172
1.2	Funds of a credit institution at the Central Bank of the Russian Federation		309728	78579
1.2.1	Mandatory Reserves	16.1.1.2	278092	15013
1.3	Amounts due from credit institutions	16.1.1.3	909387	37608



14	Financial assets, at fair value through profit or loss	6.1.2	01	01
15	Net loan debt, measured at amortized cost	6.1.3	44983221	21062711
5a	Net loan debt		01	01
16	Net investments in financial assets, measured at fair value through other comprehensive income	6.1.4	22890151	9473941
6a	Net investments in securities and other financial assets, available for sale		01	01
17	Net investments in securities and other financial assets, measured at amortized cost (besides loan debt)	6.1.5	01	01
17a	Net investments in securities, held to maturity		01	01
18	Investments in subsidiaries and affiliates	6.1.6	01	01
19	Current income tax requirement		723131	1207651
110	Deferred tax asset		404891	448611
111	Fixed assets, intangible assets and inventories	6.1.8	556761	155461
112	Non-current assets held for sale		01	01
113	Other assets	6.1.12	694811	2371
114	Total assets		81942931	33694331
II. LIABILITIES				
115	Loans, deposits and other funds of the Central Bank of the Russian Federation	6.1.13	01	01
116	Customer funds, measured at amortized cost	6.1.14	58323481	10687881
116.1	Funds of credit institutions	6.1.14	17049831	935561
116.2	Funds of customers other than credit institutions	6.1.14	41273651	9752321
116.2.1	Deposits(funds) of individuals ,including	6.1.14	237981	104991

[illegible]



32	Monetary funds of gratuitous financing (contributions to property)								01		01
33	Changes in the fair value of a financial liability attributable to changes in credit risk								01		01
34	Estimated allowances for expected credit losses								01		2114
35	Unused profit(loss)										
36	Total sources of own funds								1144972		1059369
									2292743		2230030
	IV. OFF-BALANCE COMMITMENTS										
37	Irrevocable obligations of a credit institution										148407
38	Guarantees and sureties issued by a credit institution										105107
39	Non-credit contingencies										01

President

Chief Accountant

Pradeep

Silonov A.N.

19.03.2021



Income Statement  
(published form)  
for 2020

Bank reporting			
Territory code by OKATO	Credit institution (branch) by OKPO	code registration number (/ sequence number)	
45381000	71649603	3446	

Full or abbreviated corporate name of the credit institution  
Commercial Indo Bank (Limited Liability Company)  
/ Commercial Indo Bank (LLC)  
Address (location) of the credit institution  
109147, Moscow, Marksistskaya st., 16

Section 1. Profit and loss

Form Code by OKUD 0409807  
Quarterly (annual)

Line number	Article Title	Explanation number	Data for the reporting period, thousand rubles	Data for previous reporting year, thousand rubles
1	Interest income, total, including:	3	4	5
1.1	From placing funds in credit institutions	6.2.1	213724	281599
1.2	From loans to customers, that are not credit institutions	6.2.1	64142	64482
			63732	83394



1.3	From the provision of services for financial lease	6.2.1	01	01
1.4	From investments in securities	6.2.1	858501	1337231
2	Interest expenses, total, including :	6.2.2	373761	322201
2.1	On attracted funds from credit institutions	6.2.2	83291	234771
2.2	On attracted funds of clients, that are not credit institutions	6.2.2	290471	87431
2.3	On issued securities		01	01
3	Net interest income (negative interest margin)		1763481	2493791
4	Change in the reserve for possible losses and the estimated reserve for expected credit losses on loans, loan and equivalent indebtedness, funds, placed on correspondent accounts, as well as accrued interest income, total, including:	6.2.5	-175251	-241501
4.1	Change in the provision for possible losses and the estimated allowance for expected credit losses on accrued interest income	6.2.5	-511	1571
5	Net interest income (negative interest margin) after creating a reserve for possible losses		1588231	2252291
6	Net income from transactions with financial assets, measured at fair value through profit or loss		01	01
7	Net income from transactions with financial liabilities, measured at fair value through profit or loss		01	01
8	Net income from operations with securities, measured at fair value through other comprehensive income		455561	15371
8a	Net income from operations with securities, available for sale		01	01
9	Net income from operations with securities, measured at amortized cost		01	33301
9a	Net income from transactions with securities, held to maturity		01	01
10	Net income from foreign exchange transactions	6.2.7	224321	279731

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11	Net income from foreign currency revaluation	6.2.7		98791		-123241
12	Net income from operations with precious metals			01		01
13	Income from participation			01		01
14	Fee and commission income	6.2.3		128921		129311
15	Commission expenses	6.2.4		43551		32501
16	Change in the allowance for possible losses and the estimated allowance for expected credit losses on securities, measured at fair value through other comprehensive income	6.2.5		20541		-20551
16a	Change in provision for possible losses on securities, available for sale	6.2.5		01		01
17	Change in the provision for potential losses and the estimated provision for expected credit losses on securities measured at amortized cost	6.2.5		01		01
17a	Change in the provision for possible losses on securities held to maturity	6.2.5		01		01
18	Change in provision for other losses	6.2.5		18351		-34121
19	Other operating income			9641		897021
20	Net income(expenses)			2500801		3396611
21	Operating expenses			1329161		1212041
22	Profit(loss) before tax			1171641		2184571
23	Reimbursement(expense) for taxes	6.2.8		256311		998611
24	Profit(loss) for continuing operations	6.2.11		915331		1185961
25	Profit(loss) from discontinued operations			01		01
26	Profit(loss) for the reporting period	6.2.11		915331		1185961
Section 2. Other comprehensive income						
Line number	Article Title	Explanation number	Data for the reporting period, thousand rubles	Data for previous reporting year,		

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					thousand rubles
1	2	3	4	5	
1	Profit(loss) for the reporting period	6.2.11	915331	1185961	
2	Other comprehensive income(loss)		X	X	
3	Items that are not reclassified to profit or loss, total, including:		01	01	
3.1	Change in the revaluation fund for fixed assets and intangible assets		01	01	
3.2	Change in the fund for revaluation of liabilities(claims) for retirement benefits of employees under defined benefit plans		01	01	
4	Income tax related to items, that cannot be reclassified to profit or loss		01	01	
5	Other comprehensive income (loss) that cannot be reclassified to profit or loss, net of income tax		01	01	
6	Articles that can be reclassified to profit or loss, total, including:	6.2.11	-354981	3168601	
6.1	Change in the revaluation fund for financial assets, measured at fair value through other comprehensive income	6.2.11	-354981	3168601	
6.1a	Change in the revaluation fund for financial assets, available for sale		01	01	
6.2	Change in the revaluation reserve for financial liabilities measured at fair value through profit or loss		01	01	
6.3	Change in cash flows hedge fund		01	01	
7	Income tax related to items, that can be reclassified to profit or loss	6.2.11	-66781	633721	
8	Other comprehensive income(loss), that can be reclassified to profit or loss, net of income tax	6.2.11	-288201	2534881	
9	Other comprehensive income(loss) net of income tax	6.2.11	-288201	2534881	

10	Financial result for the reporting period	6.2.11	627131	3720841
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President

Chief Accountant

Pradeep

Silonov A.N.

19.03.2021



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Bank reporting			
Territory code	Credit institution (branch) code	by OKATO	by OKTO
145381000	171649603	1	3446

Capital relevance report for risk covering  
(published form)

as of 01.01.2021

Full or abbreviated corporate name of the credit institution  
(parent credit institution of a banking group) Commercial Indo Bank (limited liability company)  
/ Commercial Indo Bank (LLC)  
Address (location) of the credit institution  
(parent credit institution of a banking group) 109147, Moscow, Markistskaya st., 16

Form code by OKUD 0409808  
Quarterly (annual)

Section 1. Information on the level of capital adequacy					
Line number	Instrument (indicator) name	Explanation number	Value of an instrument (index value) of the reporting date thousand rubles	Value of an instrument (index value) of the reporting year thousand rubles	Link to balance sheet items (published form), that are sources of capital elements
1	Sources of basic capital	2	3	4	5
1.1	Share capital and share premium, total, including formed:				
1.1.1	Ordinary shares (shares)		1115267.0000	1115267.0000	24
1.2	Preferred shares		1115267.0000	1115267.0000	24
1.2	Undistributed profit (loss):				
2.1	of previous years		994030.0000	922785.0000	
2.2	of the reporting year		994030.0000	922785.0000	35
3	Reserve fund		0.0000	0.0000	
4	Shares of the authorized capital subject to gradual exclusion from the calculation of equity (capital)		5930.0000	0.0000	27
5	Underlying capital instruments of subsidiaries owned by third parties		not applicable	not applicable	not applicable
6	Sources of basic capital, total (line 1 + line 2 + line 3 + line 4 + line 5)		2115227.0000	2038052.0000	
7	Indicators that reduce sources of basic capital				
7	Adjustment of a value of a financial instrument				
8	Goodwill, net of deferred tax liabilities				

19	Intangible assets (excluding goodwill and mortgage servicing rights) net of deferred tax liabilities	14635.00001	13477.00001		
10	Deferred tax assets dependent on future earnings				
11	Cash flows hedge reserves	33728.00001	44861.00001		
12	Underdeveloped reserves for possible losses				
13	Income from securitization transactions	not applicable	not applicable	not applicable	
14	Income and expenses related to changes in credit risk on liabilities, measured at fair value	not applicable	not applicable	not applicable	
15	Defined benefit assets	not applicable	not applicable	not applicable	
16	Investments in own shares(stakes)				
17	Counter investments of a credit institution and a financial institution in fixed capital instruments				
18	Insignificant investments in fixed assets of financial institutions				
19	Significant investments in equity instruments of financial institutions				
20	Rights to service mortgage loans	not applicable	not applicable	not applicable	
21	Deferred tax assets not dependent on future profits				
22	The aggregate amount of significant investments and deferred tax assets in the part exceeding 15 percent of the amount of the basic capital, in total, including:				
23	Significant investments in equity instruments of financial institutions				
24	Mortgage loans servicing rights	not applicable	not applicable	not applicable	
25	Deferred tax assets that do not depend on the future profit				
26	Other indicators that reduce the sources of basic capital set by the Bank of Russia	0.00001			
27	Negative additional capital				
28	Indicators that reduce sources of basic capital, total (sum of lines 7-22, 26 и 27)	48363.00001	58338.00001		
29	Basic capital, in total (line 6 - line 28)	2066864.00001	1879714.00001		
Sources of additional capital					
30	Additional capital instruments and share premium, in total, including:				
31	Classified as equity				
32	Classified as liabilities				
33	Additional capital instruments to be phased out from the calculation of equity (capital)				



34	Additional capital instruments of subsidiaries owned by third parties, in total, including:		not applicable	not applicable	not applicable
35	Additional capital instruments of subsidiaries to be phased out from the calculation of equity (capital)		not applicable	not applicable	not applicable
36	Sources of additional capital, in total, (line 30 + line 34)		0.0000	0.0000	
37	Indicators that reduce sources of additional capital				
38	Investments in own instruments of additional capital				
39	Counter investments of a credit institution and a financial institution in additional capital instruments of financial institutions				
40	Significant investments in additional capital instruments of financial institutions				
41	Other indicators that reduce the sources of additional capital, set by the Bank of Russia				
42	Negative additional capital				
43	Indicators that reduce sources of additional capital, total (sum of lines 37-42)		0.0000	0.0000	
44	Additional capital, in total (line 36 - line 43)		0.0000	0.0000	
45	Main capital, in total (line 29 + line 44)		2066864.0000	1979714.0000	
46	Sources of additional capital				
47	Additional capital instruments and share premium		89040.0000	130455.0000	
48	Additional capital instruments, to be phased out from equity calculation (capital)				
49	Additional capital instruments of subsidiaries to be phased out from the calculation of equity (capital)		not applicable	not applicable	not applicable
50	Provisions for possible losses			not applicable	
51	Sources of additional capital, in total (line 46 + line 47 + line 48 + line 50)		89040.0000	130455.0000	
52	Indicators that reduce the sources of additional capital				
53	Investments in own instruments of additional capital				
54	Counter investments of a credit institution and a financial institution in additional capital instruments				
55	Significant investments in additional capital instruments and other instruments that ensure the overall ability to absorb losses of financial institutions				
56	Investments in other instruments that ensure the overall ability to absorb losses of financial institutions				
57	Substantial investment in additional capital instruments and other instruments that ensure the overall ability to absorb losses of financial institutions				

1/

56	Other indicators that reduce the sources of basic capital set by the Bank of Russia, in total, including:		0.0000	0.0000	
56.1	Overdue accounts receivables lasting more than 30 calendar days				
56.2	Excess of the aggregate amount of loans, bank guarantees and sureties provided to its shareholders (participants) and insiders over its maximum size				
56.3	Investments in the creations and acquisition of fixed assets and inventories				
56.4	The difference between the actual value of the share due to the participants who left the company and the value at which the share was sold to another participant				
57	Indicators that reduce sources of additional capital, in total (sum of lines 52 to 56)	0.0000	0.0000		
58	Additional capital, in total (line 51 - line 57)	89040.0000	130455.0000		
59	Own funds (capital), in total (line 45 + line 58)	2155904.0000	2110169.0000		
60	Risk-weighted assets:	X	X		X
60.1	Necessary to determine the adequacy of the basic capital	4637247.0000	2828889.0000		
60.2	Necessary to determine the adequacy of the fixed capital	4637247.0000	2828889.0000		
60.3	Necessary to determine the adequacy of own funds (capital)	4637247.0000	2828889.0000		
Equity (capital) adequacy indicators and premiums to equity (capital) adequacy ratios, percentage					
61	Adequacy of the basic capital (line 29 : line 60.1)	44.5710	69.9820		
62	Adequacy of the fixed capital (line 45 : line 60.2)	44.5710	69.9820		
63	Adequacy of own funds (capital) (line 59 : line 60.3)	46.4910	74.5940		
64	Supplements to the base capital adequacy ratio, in total, including:	2.5000	2.2500		
65	Capital maintenance premium				
66	Countercyclical markup	2.5000	2.2500		
67	Premium for systemic importance	0.0000	0.0000		
68	Basic capital, available for directing to maintain the premiums to the capital adequacy ratios (capital)	38.4910	66.5940		
Equity (capital) adequacy ratios, percentage					
69	Basic capital adequacy ratio	4.5000	4.5000		
70	Fixed capital adequacy ratio	6.0000	6.0000		
71	Equity (capital) adequacy ratio	8.0000	8.0000		
Indicators that do not exceed the established materiality thresholds and are not accepted as a reduction in sources of capital					



72	Insignificant investments in capital instruments and other instruments that ensure the overall ability to absorb losses of financial institutions						
73	Significant investments in equity instruments of financial institutions						
74	Rights to service mortgage loans		not applicable	not applicable		not applicable	
75	Deferred tax assets not dependent on future profits						
Restrictions on the inclusions of reserves for possible losses in the calculation of additional capital							
76	Provisions for possible losses included in the calculation of additional capital in relations to positions for which credit risk is calculated using the standardized approach		not applicable	not applicable		not applicable	
77	Restrictions on the inclusion in the calculation of additional capital of the amounts of provisions for possible losses when using the standardized approach		not applicable	not applicable		not applicable	
78	Provisions for possible losses included in the calculation of additional capital in relations to positions for which the internal model approach is applied to calculate the credit risk		not applicable	not applicable		not applicable	
79	Limitations on the inclusion in the calculation of additional capital of the amounts of provisions for possible losses when using the approach based on internal models		not applicable	not applicable		not applicable	
Instruments to be phased out from the calculation of equity (capital) (applicable from January 1, 2018 to January 1, 2022)							
80	Current limitation on the inclusion in the sources of basic capital of instruments subject to gradual exclusion from the calculation of equity (capital)						
81	Part of the instruments not included in the sources of basic capital due to the limitation						
82	Current limitation on the inclusion in the sources of additional paid-in capital of instruments subject to gradual exclusion from the calculation of equity (capital)						
83	Part of the instruments not included in the sources of additional paid-in capital due to the limitation						
84	Current limitation on the inclusion in the sources of additional capital of instruments subject to gradual exclusion from the calculation of equity (capital)						
85	Part of the instruments not included in the sources of additional capital due to the limitation						

## Section 4. Main characteristics of capital instruments

N p.p. /	Abbreviated corporate name of the issuer of the capital instrument	Identification number of the instrument (capital)	Capital law	To other instruments	Regulatory conditions						
					overall ability to cover losses	(The level of capital to which the instrument is included during the transitional period ("Basel III"))	(The level of equity to which the instrument is included after the end of transactional period ("Basel III"))	(Consolidation level at which the instrument is included in equity)	Type of the instrument	Value of the instrument, included in the calculation of capital	Nominal value of the instrument
1		2	3	3a	4	5	6	7	8	9	
11	Commercial Indo Bank LLC	103771012998	643 (RUSSIAN FEDERATION)		not applicable	Basic capital	not applicable	Shares in the authorized capital	1115267	1115267 thousand Russian rubles	

Section 4. Continuation

N P.P.	Classification of an equity instrument for accounting purposes	Date of issue/availability of the instrument	Regulatory conditions										Interest/dividend/coupon yield						
			(attribution, for an instrument)	Instrument	Naturity	Availability of the instrument	Early redemption of the instrument	Right to early redemption of the instrument	Right to early redemption of the instrument	Right to early redemption of the instrument	Right to early redemption of the instrument	Right to early redemption of the instrument	Rate	Availability of the instrument	Conditions for the termination of the instrument	Ordinary shares	Legislative conditions for the termination of the instrument	Existence of the instrument	Existence of the instrument
10	Share capital	11	12	13	14	15	16	17	18	19	20	21							

Section 4. Continuation

N P.P.	The nature of the instrument	Convertibility of the instrument	Conditions upon which the instrument is carried out	Interest/dividend/coupon yield										Rate	Availability of the instrument	Conditions for the termination of the instrument	Ordinary shares	Legislative conditions for the termination of the instrument	Existence of the instrument	Existence of the instrument
				Full or partially convertible	Conversion obligation to convert	Equity level to which the instrument is converted	Abbreviated corporate instrument into which the instrument is converted	Instrument to which the instrument is converted	Instrument to which the instrument is converted	Instrument to which the instrument is converted	Instrument to which the instrument is converted	Instrument to which the instrument is converted	Instrument to which the instrument is converted							
22		23	24	25	26	27	28	29	30	31	32	33								

Section 4. Continuation

N p.p.	Name of the instrument	Recovery mechanism	Subordination type	Interest/dividend /coupon yield		Description of discrepancies
				Subordination of an instrument	Compliance with the requirements of the Regulation of the Bank of Russia N 646-P and the Bank of Russia N 509-P	
		34	34a	35	36	37
11	not applicable			not applicable	yes	not applicable

Section "For reference".

Information on the movement of the provision for possible losses on loans, loan and equivalent debt.

1. Formation (additional accrual) of the reserve in the reporting period (thousand rubles)  
total 0, including due to:
- 1.1. Granting loans 0,
- 1.2. Changes in the quality of loans 0,
- 1.3. Changes in the official exchange rate of foreign currency against the ruble set by the Bank of Russia 0,
- 1.4. Other reasons 0.



2. Recovery(decrease)of the provision in the reporting period ( thousand rubles)  
total 0, including due to:

2.1. Write-offs of bad loans 0,

2.2. Repayment of loans 0,

2.3. Changes in the quality of loans 0,

2.4. Changes in the official exchange rate of foreign currency against the ruble  
set by the Bank of Russia 0,

2.5. other reasons 0.

President

Chief accountant

19.03.2021



Sil'onov A.N.

Pradeep

Bank reporting			
Bank reporting			
Territory code (Credit Institution branch) code			
by OJATO	by OJATO	by registration number	by registration number
45381000	171849603	3446	3446

Report on changes in the capital of a credit organization  
(published form)  
as of 01.01.2023

Full or abbreviated corporate name of the credit institution  
/ Commercial JSCB Bank "Sberbank of Russia"  
/ Commercial JSCB Bank "Sberbank of Russia"  
Address (location) of the credit institution  
109149, Moscow, Narynstritsa st., 16

Form Code by OJATO 0409-110  
(quarterly form)

thousand rubles															
line number	Article title	Explanation number	Authorized capital	Own shares purchased from shareholders	Share premium	Revaluation at fair value of securities for sale and deferred tax liability (increased by deferred tax asset)	Revaluation of property, plant and equipment and intangible assets (increased by deferred tax liabilities)	Increase (decrease) in liabilities (claims) for long-term employee benefits upon retirement	Revaluation of housing instruments	Reserve fund	Gratuity funds (contributions to property)	Change in the fair value of a financial liability attributable to credit risk	Estimated expenses for expected credit losses	Related earnings (loss)	Total sources of the capital
1	Data for the beginning of the previous reporting year		1115567,00000			-260203,00000				0,00000			0,00000	922785,00000	1837544,00000
2	Effect of changes in accounting policies													17968,00000	17968,00000
3	Impact of bug fixes														
4	Data for the beginning of the previous reporting year (adjusted)		1115567,00000			-260203,00000				0,00000			0,00000	940773,00000	1855832,00000
5	Comprehensive income for the previous reporting period:					253468,00000								118596,00000	372084,00000
5.1	Profit (loss)													118596,00000	118596,00000
5.2	Other comprehensive income					253468,00000									253468,00000
6	Issue of shares:														
6.1	Initial cost														
6.2	Share premium														
7	Own shares repurchased from shareholders														

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(Participants):									
7.1	Acquisitions								
7.2	Disposals								
8	Change in the value of property, plant and equipment and intangible assets								
9	Declared dividends and other distributions to shareholders (Participants):								
9.1	For ordinary shares								
9.2	For preferred shares								
10	Other contributions of shareholders (Participants) and distribution in favor of shareholders (Participants):								
11	Other movements								
12	Data for the corresponding year	111567.0000	53280.0000	0.0000	2114.0000	1059365.0000	2230030.0000		
13	Data for the reporting year	111567.0000	53280.0000	0.0000	2114.0000	1059365.0000	2230030.0000		
14	Effect of changes in accounting policies								
15	Impact of bug fixes								
16	Data at the beginning of the reporting year (adjusted)	111567.0000	53280.0000	0.0000	2114.0000	1059365.0000	2230030.0000		
17	Comprehensive income for the reporting period		-26706.0000			91533.0000	64427.0000		
17.1	Profit (Loss)					91533.0000	91533.0000		
17.2	Other comprehensive income		-26706.0000				-26706.0000		
18	Issues of shares:								
18.1	Initial cost								
18.2	Share premium								
19	Shares repurchased (from shareholders (Participants):								





Bank reporting	
Territory code by ORATO	Credit institution (branch) code by OKPO registration number (sequence number)
43381000	171649603 3446

Form code by OKUD 0409813

## Quarterly (annual)

Line number	Indicator name	Aggregation number	At the reporting date	on a six & quarter from the reporting date	Actual value	on a six last quarter from the reporting date	on a six three quarters from the reporting date	on a six four quarters from the reporting date
1	2	3	4	5	6	7	8	9
CAPITAL, thousand rubles								
1	Item capital		1262414	12647942	13165016	12624742	13973114	
1a	Item capital with full application of the requirements of paragraph 1 of the accounting policy, including the impact of traditional provisions		12182872	12272551	12167774	12427716	13977782	
2	Item capital		1242194	12678962	13161516	12678962	13973114	
2a	Item capital with full application of the requirements of paragraph 1 of the accounting policy		1212673	12377131	12208214	12423715	13977782	
3	Item capital		12155964	12353315	12157173	12391486	13171113	
3a	Item capital with full application of the requirements of paragraph 1 of the accounting policy		12131315	12131322	12138147	12151115	12165374	
ASSETS WEIGHTED BY RISK LEVEL, thousand rubles								
4	Item weighted assets		1643747	15105778	12415114	12616482	12671189	
CAPITAL RISKINESS, percentage								
5	Item capital riskiness ratio (1a/1)		16.5371	16.268	16.1452	15.489	16.472	
5a	Item capital riskiness ratio with full application of the requirements of paragraph 1 of the accounting policy		16.4872	16.484	16.1439	16.412	16.618	
6	Item capital riskiness ratio (2a/2)		16.457	16.316	16.1192	15.489	16.482	
6a	Item capital riskiness ratio with full application of the requirements of paragraph 1 of the accounting policy		16.382	16.464	16.389	16.512	16.618	
7	Item capital adequacy ratio (1a/3)		16.481	11.372	13.233	78.3	76.584	
7a	Item capital adequacy ratio with full application of the requirements of paragraph 1 of the accounting policy		17.471	12.713	13.179	83.179	78.474	
DIFFERENCE TO HAVE CAPITAL AS A PERCENTAGE OF THE AMOUNT OF RISK-WEIGHTED ASSETS, percentage								
8	Capital adequacy requirement		12.5	12.5	12.5	12.5	12.5	

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1	taking into account netting of positions, if applicable, in total	
3	Potential credit risk of the counterparty for operations with derivatives, in total	0.00
6	Adjustment for the size of the nominal amount provided collateral for operations with derivatives to be written off from balance sheet	Not applicable
7	Reducing adjustment for the amount of the listed variation margin in specified cases	0.00
8	Amendment regarding the requirements of the bank clearing member to the central counterparty for the execution of clients' transactions	0.00
9	Adjustment to account for credit risk in relation to the underlying asset of issued credit derivatives	0.00
10	Reducing amendment for issued credit derivatives	0.00
11	The amount of risk derivatives, taking into account: sum of lines 4, 5, 9 minus lines 7, 8, 10	0.00
Risk on securities lending operations		
12	Requirements for securities lending operations (excluding netting), in total	0.00
13	Adjustment for netting cash(claims and liabilities) for securities lending transactions	0.00
14	The amount of credit risk per counterparty for securities lending operations	0.00
15	The magnitude of the risk on guarantee provided by securities	0.00
16	Securities lending requirements, as amended, in total (sum of lines 12, 14, 15 minus line 13)	0.00
Credit contingent liability risk (CRL)		
17	Nominal exposure on contingent credit commitments, in total	226376.00
18	Amendment regarding the application of credit equivalent ratios	55327.00
19	Exposure on credit contingent liabilities, adjusted, in total (difference between lines 17 и 18)	171049.00
Capital and risks		
20	Fixed capital	306684.00
21	The amount at balance sheet assets and off-balance sheet claims at risk for calculating the leverage ratio, in total (sum of lines 3, 11, 16, 19)	803128.00
Financial leverage ratio		
22	Financial leverage ratio of a bank (N1.4), banking group (N20.4), percentage (line 20 : line 21)	25.74

President  
Chief Accountant

Pradeep  
Silanov A.N.

19. 03. 2021



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Bank reporting

Territory code by OKATO	Credit institution (branch) code by OKPO	registration number (/sequence number)
45381000	71649603	3446

Cash flow report  
(published form)  
as of 01.01.2021

Full or abbreviated corporate name of the credit institution  
Commercial Indo Bank (Limited Liability Company)  
/ Commercial Indo Bank (LLC)

Address (location) of the credit institution  
109147, Moscow, Marksistskaya st., 16

Form Code by OKUD 0409814  
Quarterly(annual)

Line number	Article titles	Explanation number	Cash flows for the reporting period thousand rubles	Cash flows for the corresponding reporting period of the year preceding the reporting year thousand rubles
1	2	3	4	5
1	Net cash received from (used in) operating activities			
1.1	Cash received from (used in) operating activities before changes in operating assets and liabilities, in total, including:			
1.1.1	Interest received		-158164	240631



1.1.2	Interest paid		-25195	-46862
1.1.3	Commissions received		12892	12931
1.1.4	Commissions paid		-4355	-3250
1.1.5	Gains less losses from transactions with financial assets measured at fair value through profit or loss through other comprehensive income		45940	12908
1.1.6	Gains less losses from transactions with securities measured at amortized cost		0	3330
1.1.7	Gains less losses from foreign exchange transactions		22432	27973
1.1.8	Other operating income		942	-4385
1.1.9	Operating expenses		-90409	-116916
1.1.10	Tax expense(refund)		-36861	-44313
1.2	Increase(decrease) in net cash from operating assets and liabilities, in total, including:		2135868	-1280972
1.2.1	Net increase(decrease) in mandatory reserves in accounts with the Bank of Russia		-263079	22956
1.2.2	Net increase(decrease) in financial assets measured at fair value through profit or loss		0	0
1.2.3	Net increase(decrease) in loan debt		-2535428	406905
1.2.4	Net increase(decrease) in other assets		42581	-46130
1.2.5	Net increase(decrease) in loans, deposits and other funds of the Bank of Russia		0	0
1.2.6	Net increase(decrease) in funds from other credit institutions		1630944	-1445139
1.2.7	Net increase(decrease) in customer accounts other than credit institutions		3275685	-161800
1.2.8	Net increase(decrease) in financial liabilities measured at fair value through profit or loss		0	0

1.2.9	Net increase(decrease) in issued debt obligations				0	
1.2.10	Net increase(decrease) in other liabilities			-1483		-5764
1.3	In total (sum of lines 1.1 и 1.2)			1903090		-1198925
2	Net cash received from (used in) investing activities					
2.1	Acquisition of financial assets measured at fair value through other comprehensive income			-4867527		-60897
2.2	Revenues from the sale and redemption of financial assets measured at fair value through other comprehensive income			3819347		1226363
2.3	Purchase of securities measured at amortized cost			0		0
2.4	Revenues from redemption of securities measured at amortized cost			0		0
2.5	Purchase of property, plant and equipment, intangible assets and inventories			-41589		-2749
2.6	Proceeds from the sale of fixed assets, intangible assets and inventories			0		0
2.7	Dividends received			0		0
2.8	In total, (sum of lines from 2.1 to 2.7)			-1089769		1162717
3	Net cash received from (used in) financing activities					
3.1	Contributions of shareholders to the authorized capital			0		0
3.2	Acquisitions of own shares redeemed from shareholders (participants)			0		0
3.3	Sale of own shares redeemed from shareholders (participants)			0		0
3.4	Dividends paid			0		0
3.5	In total, (sum of lines from 3.1 to 3.4)			0		0
4	Impact of changes in foreign exchange rates established by the Bank of Russia on cash and cash equivalents			21681		-9747
5	Increase(use) of cash and cash equivalents			835002		-45955

5.1	Cash and cash equivalents at the beginning of the reporting year				119346		165301
5.2	Cash and cash equivalents at the end of the reporting period	16.4			954348		119346

President

Pradeep

Chief Accountant

Silnov A.N.

19.03.2021



*[Signature]*

*[Signature]*



**EXPLANATORY INFORMATION  
TO ACCOUNTING (FINANCIAL) STATEMENTS  
«COMMERCIAL INDO BANK»  
LIMITED LIABILITY COMPANY  
("COMMERCIAL INDO BANK" LLC) FOR 2020**

## **1. Introduction**

Annual accounting (financial) statements (hereinafter referred to as – "annual statements") and explanatory information to the annual statements (hereinafter referred to as – "explanatory information") of "Commercial Indo Bank" Limited Liability Company (hereinafter referred to as – "Commercial Indo Bank" LLC or Bank) have been drawn up based on the rules for organizing and maintaining accounting records and drawing up accounting (financial) statements (hereinafter referred to as – "RAS") in force in the Russian Federation and in accordance with the requirements of the following regulations of the Central Bank of the Russian Federation (hereinafter referred to as "Bank of Russia" или "Central Bank of the Russian Federation"):

- Bank of Russia Ordinance № 3054-U of September 4, 2013 "On the procedure for preparing annual accounting (financial) statements" (hereinafter referred to as "Ordinance № 3054-U");
- Bank of Russia Ordinance № 4927-U of October 8, 2018 "On the list, forms and procedure for compiling and submitting reporting forms for credit institutions to the Central Bank of the Russian Federation" (hereinafter referred to as "Ordinance № 4927-U");
- Bank of Russia Ordinance № 4983-U of November 27, 2018, "On the forms, procedure and timing of disclosure by credit institutions of information about their activities (hereinafter referred to as "Ordinance № 4983-U").

The annual reports have been drawn up taking into account the analysis of the Bank's activities for 2020. Explanatory information is an integral part of the annual reporting. The notes to the statements contain information on the main operations of the Bank, an assessment of their impact on the obtained financial result, contains an overview of the areas of risk concentration, the Bank's strategy, includes comparable indicators of the current and previous reporting periods.

The annual statements are prepared in the currency of the Russian Federation, in thousands of Russian rubles, all assets and liabilities in foreign currencies are reflected in rubles at the official exchange rate of the corresponding foreign currency against the ruble established by the Bank of Russia at the reporting date.

The annual reports will be posted on the Bank's official website [www.cibl.ru](http://www.cibl.ru) in the "Financial Statements" section.

When generating explanatory information, the Bank was guided by Ordinance No. 4983-U, as well as the requirements of IFRS and IFRS interpretations adopted by the IFRS Foundation, enacted in the Russian Federation (hereinafter referred to as "IFRS").

## **2. General information about the Bank**

Full corporate name: "Commercial Indo Bank" Limited Liability Company (hereinafter referred to as the Bank).

Abbreviated: "Commercial Indo Bank" LLC.

The name of the Bank was changed on January 20, 2014. Former name is "Commercial Bank of India", LLC.

The legal address of the Bank: 109147, Moscow, Marksistskaya st., 16.

Contact phone: 8 (495) 735-43-35.

Requisites:

- ITN	7744003342
- Checkpoint MI FTS of Russia	
- for the largest taxpayers №9 Moscow	997950001
- Checkpoint of the Inspectorate of the Federal	
- Tax Service of Russia No. 9 in Moscow	770901001
- PSRN	1037711012998
- BIC	044525500

correspondent account with the Main Department of the Bank of Russia  
in the Central Federal District of Moscow 30101810400000000500

The bank was established in December 2003 as a joint venture between two commercial banks of the Republic of India with state participation - the State Bank of India (60%) and Canara Bank (40%).

The Bank is part of the banking group of the State Bank of India, whose share in the authorized capital of the Bank is 60%.

The State Bank of India has an extensive network of branches and representative offices, both in India and abroad.

"Commercial Indo Bank" LLC has no beneficial owner - an individual who owns directly or indirectly more than 25% of its capital, the ultimate controlling party of the Bank is the state of the Republic of India.

The Bank's activities are regulated by the Bank of Russia in accordance with the banking license No. 3446 dated October 28, 2013.

The Bank is not a member of the compulsory deposit insurance system approved by Federal Law No. 177-FL dated December 23, 2003 "On Insurance of Individual Deposits in Banks of the Russian Federation".

#### Founders of the Bank

№ p/p	Shareholder	Share Ownership, %		Change for the reporting period, %
		As of 01.01.2021	As of 01.01.2020	
1	State Bank of India	60.0	60.0	0
2	Canara Bank	40.0	40.0	0
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>0</b>

As of 01.01.2021 and as of 01.01.2020 there were no changes in the composition and structure of the owners and beneficiaries of the Bank in 2020 compared to the previous reporting period.

#### 2.1 Information about the President and the composition of the Executive Committee of the Bank

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As of 01.01.2021 the Bank is managed by the sole executive body represented by the President of Bank Pradeep.

The President of the Bank does not own any shares in the Bank.

As of 01.01.2021 and as of 01.01. The collegial executive body (Executive Committee) of the Bank includes the following persons:

1. Pradeep.
2. Siva Sangaiah.
3. Silonov Andrey Nikolaevich.
4. Nikishina Anna Vladimirovna

## **2.2. Information about the Board of Directors of the Bank**

As of the 01.01.2020 the Bank's Board of Directors included the following persons:

1. Naik Sanjay Dattatraya (Chairman of the Board of Directors).
2. Rajapur Subbaramaya Ramesh (member of the Board of Directors).
3. Pradeep (member of the Board of Directors).
4. Haranadh Patnaik Kuppili (member of the Board of Directors).
5. Viraswami Jayakumar (member of the Board of Directors).

As of the 01.01.2021 the Bank's Board of Directors included the following persons:

1. Brahmandam Rama Sundara Satyanarayana (Chairman of the Board of Directors).
2. Haranadh Patnaik Kuppili ( deputy chairman of the Board of Directors).
3. Pradeep (member of the Board of Directors).
4. Veeraswamy Jayakumar (member of the Board of Directors).
5. Rath Biranchi Narayan (member of the Board of Directors).

Members of the Board of Directors of the Bank and members of the Executive Body do not own any share in the authorized capital of the Bank.

The bank does not have separate (including on the territory of a foreign state) subdivisions as of 01.01.2021 and as of 01.01.2020.

Analytical Credit Rating Agency ACRA April 13, 2020 assigned the Bank an A (RU) credit rating with a "Stable" outlook.

The bank is not a member of the compulsory deposit insurance system.

## **3. Brief description of the Bank's activities**

### **3.1. Nature of operations and main lines business**

In accordance with the Federal Law "On Banks and Banking Activities", the Bank is granted the right to carry out banking operations with funds in rubles and foreign currency:

1. Attraction of funds of legal entities in deposits (on demand and for a certain period).
2. Placement of funds attracted in deposits (on demand and for a certain period) of legal entities on their own behalf and at their own expense.
3. Opening and maintaining bank accounts of legal entities.



4. Implementation of money transfers on behalf of legal entities, including correspondent banks, through their bank accounts.
5. Collection of cash, bills, payment and settlement documents and cash services for individuals and legal entities.
6. Purchase and sale of foreign currency in cash and non-cash forms.
7. Issuance of bank guarantees.
8. Making money transfers without opening bank accounts, including electronic money (excluding postal transfers).

### **3.2. Key performance indicators and factors that influenced the financial results of the Bank in the reporting period**

The COVID-19 pandemic has had a huge impact on the economic environment. Moreover, the pandemic had an extremely negative impact not only on the Russian economy, but also served as a factor in a sharp deterioration in the global macroeconomic situation. The COVID-19 pandemic had a particularly strong negative impact on economic activity in the first half (especially in the second quarter) of 2020. The quarantine and self-isolation regime has caused disruptions to production and trade and distribution chains, full or partial suspension of activities in a number of sectors of the economy, especially in the service sector and transport. The need for social distancing has led to a deformation of the labor market, especially in the field of small and medium-sized businesses. According to IMF estimates, as of early July 2020, global production losses as a result of a pandemic shock could amount to over \$ 12 trillion in two years (2020-2021). By the beginning of the third quarter of 2020, signs of a partial recovery in business activity after a deep recession appeared, especially in April-May. It was during these months that many countries used the most stringent measures for the voluntary and forced self-isolation of citizens. The positive effect of social distancing measures and selective government support for business and the population was manifested in late May - early June this year. Thus, thanks to the sanitary and medical measures taken and large-scale government support, the global decline in economic activity has slowed down, but only in some countries there are already weak signs of recovery growth. In July, following China, positive signs of improving business activity appeared in the United States, the Eurozone countries, Russia and a number of other countries. But on the whole, the results of 2020 do not yet provide grounds for optimistic forecasts. The process of normalizing economic life will, in all likelihood, be quite lengthy due to the action of a number of factors. In particular, it will take some time to close the resulting gaps in the value chains. Along with this, geopolitical tensions, trade conflicts and the depressive state of most sales markets will restrain the restoration of export potential. The factor of insufficient effective demand, especially on the part of the population, is also essential, despite massive financial state support. This is evidenced by the current statistical data on the dynamics of the GDP of various groups of countries, including those that make a decisive contribution to the world economy. The Russian economy entered 2020 with a good start. At the end of 2019, GDP growth rates amounted to 1.3%, and in the first quarter of 2020 they even rose to 1.6%, despite the first signs of a fall in world prices for hydrocarbons and the growing global instability in financial markets. However, the COVID-19 pandemic that began in mid-March 2020 has changed the conditions for the functioning of the global economy. The Russian economy and financial system were better prepared for the sharp drop in oil prices than in previous crisis periods. The shock impact of the quarantine measures and the self-isolation regime peaked in three months (late March, April and the first half of May), after which the economy began to show signs of recovery. The deepest drop in GDP growth rates (-12%) was noted in April. In June, the decline in GDP was already recorded at the level of (-) 6.4%, but the trend towards a recovery in production and consumer activity has already shown itself. Russian Statistical Service published GDP data for



2020, the decline in GDP was 3.1%. This is better than previously estimated by the Bank of Russia (9.5-10%) and the Ministry of Economic Development (9.6%).

Already now, it can be said with a delivery degree of certainty that the failure of the Russian economy due to the virus and quarantine turned out to be less significant than in most developed and developing countries. However, the process of recovery of the Russian economy may turn out to be more difficult, given the situation with the dynamics of real incomes of the population and the state of affairs in the energy market.

The depth of the recession was noticeably different by industry and sector of the economy. The most affected activities related to mass customer service. In particular, according to the results of the first half of the year, passenger traffic decreased by an average of 45.6%, and in some months (April and May) they fell by more than 82%. This also applies to many types of services, where individual entrepreneurs, small and medium-sized businesses are predominantly employed. One of the main factors behind the recovery in economic activity in June was the continued lifting of quarantine restrictions, which had the most positive impact on the indicators of the consumer market. Along with this, budget measures to support households and businesses had a positive impact on domestic demand in the second quarter of 2020. At the same time, it is not only the coronavirus pandemic that is holding back the recovery processes in the Russian economy. The instability of the situation in the global hydrocarbon market and restrictions on oil production under the OPEC + agreement continue to cause a tangible blow to the mining industry, as well as to the export potential and budget of the country. It is precisely the decline in the production of crude oil and natural gas to a decisive extent - the depth of the decline in this industry as a whole. According to Rosstat, the real disposable cash income of Russians (income minus obligatory payments, adjusted for the consumer price index) decreased in the II quarter of 2020, which was hit by the main blow of the pandemic crisis, by 8% in annual terms, and in general, by the end of 2020 - by 3.5%. Cash income (on average per capita) decreased in the second quarter of 2020 by 4.8% compared to the same period last year, amounting to 32.9 thousand rubles. In general, for 2020, the decline was 0.4%. The share of Russians with an average monthly income below 15 thousand rubles. increased from 38.1% in February to almost 45% in June.

The unemployment rate in June reached 6.2% of the labor force against 4.6% in March. The number of unemployed increased to 4.6 million people, of which 2.8 million people were officially registered as unemployed at employment centers. Thus, to date, business activity is in the process of gradual recovery and adaptation to the conditions of an emergency. The Government of the Russian Federation, the Bank of Russia and local government bodies continue to implement a large-scale complex of measures to socially protect citizens, support industries and sectors of the economy that find themselves in the most difficult situation. In the implementation of these measures, the monetary and financial policies of the state play an important role. The financial block of the Government and the Bank of Russia ensure, in conditions of increased risks, the maintenance of price stability, the fulfillment of budgetary obligations, the uninterrupted functioning of the national payment system and customer service along the entire perimeter of financial services. On July 24, 2020, the Board of Directors of the Bank of Russia decided to reduce the key rate by 25 basis points to 4.25%, thereby updating the historical minimum. Since the beginning of this year, the key rate has been reduced for the fourth time - from 6.25 to 4.25%. When making this decision, the Bank of Russia proceeded from the fact that disinflationary factors continue to have a significant impact on inflation, and also taking into account the fact that after the decline in May-June, inflationary expectations of the population and business as a whole stabilized. The decrease in the key rate indicates further easing of the monetary policy pursued by the Bank of Russia in the interests of stimulating business and consumer activity. Favorable conditions are emerging for a further reduction in interest rates in the interbank market, on loans to the population and non-financial organizations, including individual entrepreneurs, small and medium-sized businesses. First of all, this will affect the increase in the availability of



mortgages, both due to a general decrease in interest rates, and due to programs of concessional lending. The softening of the interest rate policy will help to reduce the yield on the OFZ market, which not only reduces the cost of servicing the government debt, but also creates conditions for a further reduction in interest rates in other segments of the financial market.

The result of the Bank's work for 2020 net profit in the amount of 91,533 was received, which is 23% less than the value of the same indicator for 2019. (118 596). The work was provided with the main activities, such as lending to the real sector of the economy, investing in securities of issuers with a high level of reliability and ratings from leading international rating agencies, operational services for legal entities and individuals, including using high-tech remote service systems.

As of 01.01.2021 the amount of funds raised from legal entities of the Bank amounted to 4,127,365 and as of 01.01. amounted to 975,232, an increase of 323%, associated with the placement of funds in deposits.

The value of the Bank's assets less provisions for impairment losses as of 01.01.2021 amounted to 8 194 293 and increased compared to the value as of 01.01. by 143% and in absolute terms amounted to 4 824 860.

In the structure of the Bank's assets, the main share is taken by net loans and deposits of the Bank of Russia. As of 01.01.2021 the amount of net loans outstanding amounted to 4,498,322. Loan debt increased compared to the value as of 01.01. by 114% and in absolute terms amounted to 2 106 271. The main borrowers of the Bank are enterprises of the real sector of the economy, as well as highly reliable credit institutions.

Funds placed with credit institutions account for 11%. In absolute terms, the value of investments in credit institutions increased by 871,779 compared to 01.01. and amounted to 01.01. 909 387. Mostly, these investments represent the placement of funds on correspondent accounts. A significant share of the Bank's net assets, 28%, is invested in highly liquid securities with a low level of risk. As of 01.01.2021, the total value of the securities portfolio was 2,289,015.

Achieving and maintaining the level of sufficiency of the Bank's own funds necessary for the implementation of the set strategic goals is one of the priority tasks for the further development of the Bank as a universal financial and credit institution serving both small and medium-sized businesses and individuals.

As of 01.01.2021 the amount of the Bank's own funds amounted to 2,155,904, having increased by 2% compared to the value as of 01.01.2020. The bank possesses a significant reserve of highly liquid assets. The values of mandatory liquidity ratios are observed with a significant margin of the limit set by the Bank of Russia, which allows the Bank to fulfill all its obligations on time and in full.

For more than 17 years, the Bank has deservedly enjoyed the reputation of a reliable business financial partner.

### **3.3. Decisions on the distribution of net profit made following the consideration of the annual accounts.**



In the period from 01/01/2020 and as of 01/01/2021, no decisions were made on the payment of dividends to the Bank's shareholders.

#### **4. A brief overview of the basics of preparing the annual accounting (financial) statements and the main provisions of the Bank's accounting policy.**

##### **4.1. Principles, methods of measurement and accounting for significant transactions and events**

The Bank's accounting policy for 2020, as well as the Tax accounting policy for 2020, were formed on the basis and in accordance with the Federal Law of the Russian Federation dated 06.12.2011. № 402-FL "On accounting", the Tax Code of the Russian Federation, the Regulation of the Bank of Russia dated February 27, 2017. № 579-P "On the rules of accounting in credit institutions located on the territory of the Russian Federation", Provisions of the Bank of Russia dated December 22, 2014. № 446-P "On the procedure for determining income, expenses and other aggregate income of credit institutions", dated December 22, 2014. № 448-P "On the procedure for accounting for fixed assets, intangible assets, real estate, temporarily unused core activities, long-term assets intended for sale, stocks, means of labor and items of labor received under contracts of compensation, log, the purpose is not defined, in credit institutions " and from 15.04.2015. № 465-P "Industry standard of accounting for employee benefits in credit institutions", Regulations on the procedure for reflecting operations to raise funds under bank deposit (deposit) agreements, credit agreements, issuance and repayment (payment) operations on the accounts of credit institutions bonds, bills, deposit and savings certificates dated 02.10.2017 № 604-P, Regulations on the procedure for reflecting on accounting accounts by credit organizations of transactions for the placement of funds under credit agreements, transactions related to the implementation of transactions for the acquisition of the right of claim from third parties to fulfill obligations in cash, transactions on obligations under issued banking guarantees and the provision of funds from 02.10.2017. №605-P, Regulations on the procedure for reflecting operations with securities on accounting accounts by credit institutions dated 02.10.2017. № 606-P and other legislative acts.

The Bank's accounting policy is based on the following fundamental accounting principles:

- going concern, assuming that the Bank will continue its activity in the foreseeable future and it has no intentions and the need to liquidate;
- sequence of application of accounting policy, providing that the selected accounting policy will be applied consistently, from one reporting year to another. Changes in accounting policy are possible in the event of reorganization of the Bank, changes in legislation or in the system of statutory regulation of accounting, in the event of a significant change in the conditions of the Bank's activities. In order to ensure the comparability of accounting data, changes in accounting policies are introduced from the beginning of the financial year;
- constancy of accounting rules;
- reflection of income and expenses on an accrual basis. The financial results of operations (income and expenses) are reflected in the accounting records upon their completion, and not upon receipt or payment of cash (cash equivalents). Income and expenses are reflected in accounting in the period to which they relate;

- values and documents reflected in the accounting for balance sheet accounts are not reflected in off-balance sheet accounts, except for cases stipulated by regulations of the Bank of Russia.

In accordance with the Bank's accounting policy, income and expenses are recorded in accounting on an accrual basis. This principle means that the financial results of transactions (income and expenses) are reflected in the accounting records upon their completion, and not upon receipt or payment of cash (cash equivalents). Income and expenses are reflected in accounting in the period to which they relate. The output of the results of activities (profit, loss) is carried out annually. Income and expenses are reflected on the balance sheet on an accrual basis during the reporting year. The financial result of the past reporting year is transferred to the accounts for the accounting of profit and loss of previous years. Transactions in foreign currencies are recorded at the official exchange rate of the Bank of Russia in effect at the date of the transaction. These principles have been applied consistently for all periods presented in the financial statements (unless otherwise indicated). There were no significant changes affecting the comparability of certain indicators of the Bank's activities in the Accounting Policy for 2020, with the exception of the requirements of the Bank of Russia. The national currency of the Russian Federation is the Russian ruble. The Bank's assets and liabilities are denominated in Russian rubles.

#### **Criteria used to write off provisions for possible losses**

Debt on loans is recognized as hopeless if the Bank has taken the necessary and sufficient legal and actual actions to collect it and to exercise the rights arising from the availability of collateral for the loan, in the presence of documents and (or) acts of authorized state bodies necessary and sufficient to make a decision to write off bad debts on a loan at the expense of a reserve formed for it, as well as when the Bank's estimated costs for carrying out further actions to collect bad debts on a loan and (or) for exercising rights arising from the availability of collateral on the loan will be higher than the result obtained.

The Bank writes off bad debts on loans at the expense of the formed reserve for the corresponding loan. At the same time, the accrued interest related to bad loans is written off. Bad debts and interest on loans are written off provided that the Bank has taken the necessary and sufficient legal and actual actions to collect the said debt.

#### **4.2 Information on changes in the Bank's Accounting Policy for 2020**

Amendments to Regulation № 579-P, as well as amendments to Regulation № 448-P in accordance with Ordinance № 5147-U dated May 22, 2019, and the requirements of the new industry standard for accounting for lease agreements were taken into account (Bank of Russia Regulation № 659-P "On the procedure for reflecting lease agreements by credit institutions in the accounting accounts" (hereinafter referred to as "Regulation № 659-P")) in connection with the transition of credit institutions to IFRS 16 "Leases" (hereinafter referred to as "IFRS 16"). In accounting, in particular:

- the following accounting models have been established for the property received by the Bank as a lessee under lease agreements in order to apply IFRS 16. The cost criterion for classifying a low-value asset as a lease is set at RUB 350 thousand, excluding VAT. If the value of the underlying asset exceeds RUB 350 thousand, then this asset cannot be classified as a low-value asset.



#### 4.3. Information on the nature and magnitude of significant errors

It also established materiality criteria for correcting identified errors in accounting. The definition of the concept of error is given, the concept of essential or insignificant error is disclosed. The materiality criterion is set at 5% of the total amount of income for the reporting year.

#### 4.4 Events after the reporting date (EARD)

In accordance with Ordinance № 3054-U, events after the reporting date are recognized as the fact of the Bank's activities that occurs between the reporting date and the date of signing the annual statements and which has or may have a significant impact on its financial position at the reporting date and financial results of operations for the reporting year.

The Bank reflected only significant adjusting events after the reporting date related to the receipt after the reporting date of primary documents confirming income and expenses from transactions related to ensuring its activities, prior to the reporting date and (or) determining (clarifying) the cost of works, services, assets for such operations.

The materiality criterion for reflecting corrective events after the reporting date in accounting is not more than 5 percent of the amount reflected in the corresponding symbol of the statement of financial results for the reporting year, excluding events after the reporting date.

##### Adjusting events after the reporting date of the Bank include:

- reflection of deferred taxes for 2020;
- transfer of balances from accounts for accounting for the financial result of the reporting year to accounts for accounting for the financial result of the last year;
- reflection / adjustment of the amounts of income / expenses on works / services to be recognized in the reporting year, in connection with the receipt in the period from January 1, 2021 to the date of completion of SPOD postings of acts of acceptance and transfer of work performed, services, invoices and other primary documents, dated 2020.
- adjustments to estimated reserves for expected credit losses on loans and credit related commitments in accordance with IFRS

	Data for 2020	Change	Data for 2019
Financial result without EARD	47 928	(83 073)	131 001
Financial result taking into account EARD	91 533	(27 063)	118 596

In the accounting records, EARD of income tax claims arising from the overpayment of income tax, as a result of reconciliation with the tax office as of January 1, 2020, in the amount of 88 625 thousand rubles were reflected.



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**5. Description of non-adjusting events after the reporting date that significantly affect the financial condition, the condition of the Bank's assets and liabilities and its consequences in monetary terms**

There are no non-adjusting events after the reporting date for 2020 that have a material effect on the financial condition, the condition of the Bank's assets and liabilities, and on the assessment of its consequences in monetary terms.

**6. Accompanying information to the balance sheet, statement of financial results, statement of changes in equity, statement of cash flows**

**6.1. Accompanying information to the balance sheet**

**6.1.1. Cash.**

Indicator name	01.01.2021	01.01.2020
Cash, including	12 415	18 172
Russian ruble	3 725	3 432
U.S. dollar	8 037	14 695
Euro	653	45

Information on cash in foreign currency is indicated in the ruble equivalent, calculated at the official exchange rate of the Bank of Russia established as of the reporting date.

**6.1.1.1. Funds of a credit institution with the Bank of Russia.**

As of 01.01.2021 the amount of funds in the correspondent account opened with the Bank of Russia amounted to 31,636 thousand rubles, and as of 01.01.2020 63,566 thousand rubles

**6.1.1.2. Mandatory reserves on an account with the Bank of Russia.**

	01.01.2021	01.01.2020
Mandatory reserves on an account with the Bank of Russia	278 092	15 013

The Bank has restrictions on the use of cash and cash equivalents in terms of required reserves deposited with the Central Bank of the Russian Federation. There are no other restrictions on the use of cash and cash equivalents as of 01/01/2021 and 01/01/2020. In accordance with regulatory requirements, the Bank deposits the required reserves with the Bank of Russia. Interest is not charged on the amounts of required reserves.

**6.1.1.3. Funds in credit institutions**

This item takes into account the funds placed by the Bank on the NOSTRO accounts, as well as other placed funds not related to the loan and equivalent debt. As of 01.01.2021, the Bank reconciled the balances of funds placed on correspondent accounts, in a division of the Bank of Russia, in credit institutions, resident banks and non-resident banks. No discrepancy was found. Information on funds deposited with credit institutions is given in the table.

Indicator name	01.01.2021	01.01.2020
<b>Funds placed on correspondent accounts, including:</b>	<b>910 297</b>	<b>37 610</b>
<i>In resident banks</i>	<i>37 966</i>	<i>9 395</i>
<i>In non-resident banks</i>	<i>860 319</i>	<i>28 215</i>
<i>Other funds deposited with credit institutions</i>	<i>12 012</i>	
<i>Reserve</i>	<i>0</i>	<i>0</i>
<i>Adjustment of the allowance to the amount of the estimated allowance for expected credit losses</i>	<i>(910)</i>	<i>(2)</i>
<b>Total</b>	<b>909 387</b>	<b>37 608</b>

### 6.1.2. Financial assets at fair value measured through profit or loss.

As of 01.01.2021 and 01.01.2020 there are no financial assets.

### 6.1.3. Net loans and borrowings measured at amortized cost

As of 01.01.2021, the amount of outstanding loans, measured at amortized cost, amounted to 4,498,322 thousand rubles. Net loans and advances are represented by amounts issued in Russian rubles and US dollars to Russian legal entities, individuals and interbank loans.

Loan and Equivalent Debt	01.01.2021	Change	01.01.2020
Deposits with the Bank of Russia	4 055 000	3 375 000	680 000
Interbank loans	0	(767 630)	767 630
<b>Loan portfolio, including:</b>	<b>501 361</b>	<b>(202 742)</b>	<b>704 103</b>
- <i>loans to individuals</i>	<i>21 344</i>	<i>(5 960)</i>	<i>27 304</i>
- <i>loans granted to legal entities</i>	<i>480 017</i>	<i>(196 782)</i>	<i>676 799</i>
Other income related to the provision (placement) of funds	(6 359)	(448)	(5 911)
Accrued interest on provided (placed) funds including overdue)	4 694	4 548	146
<b>Other allocated funds</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>Total</b>	<b>4 554 698</b>	<b>2 408 728</b>	<b>2 145 970</b>
<i>Reserve</i>	<i>(50 910)</i>	<i>(3 939)</i>	<i>(46 971)</i>
<i>Adjustment to estimated allowance for expected credit losses</i>	<i>(5 466)</i>	<i>(12 738)</i>	<i>7 272</i>
<b>Net loans and borrowings measured at amortized cost</b>	<b>4 498 322</b>	<b>2 392 051</b>	<b>2 106 271</b>

The table below contains information on the qualification results by quality categories of loan and equivalent debt and overdue maturities as of 01.01.2021, as well as the estimated and actually created reserves.

The table below contains information on the qualification results by quality categories of loan and equivalent debt and overdue maturities as of 01.01.2021, as well as the estimated and actually created reserves.

Assets composition	Total credit requirements	The sum of the requirement for quality category 1	The sum of the requirement for quality category 2	The sum of the requirement for quality category 3	The sum of the requirement for quality category 4	The sum of the requirement for quality category 5	Overdue debt up to 30 days	Overdue debt from 31 to 90 days
Loan and equated debt of legal entities	480 017	73 371	242 430	110 325	53 840	51	0	0
Loan and equated debt of individuals	21 344	6 397	7 969	6 978	0	0	1 315	0

Estimated reserve	Formed reserve, total	Quality category 2	Quality category 3	Quality category 4	Quality category 5	Adjustment of the provision for possible losses
64 232	47 019	8 352	11 158	27 458	51	1 667
3 837	3 837	1 462	2 375	0	0	46

The Bank is constantly working to collect overdue debt. As of 01.01.2021 the amount of overdue loan debt is 1,315 thousand rubles. In the total volume of the loan portfolio, the share of overdue debt amounted to 0.1%. Overdue assets are the entire volume of an asset under a credit agreement (credit line agreement) in case of failure to pay the principal and (or) interest on it within the term set by the agreement.



The table below contains information on the qualification results by quality category of loan and equivalent debt and overdue maturities as of 01.01.2020, as well as the estimated and actually created reserves.

Assets composition	Requirement amount	The sum of the requirement for quality category 1	The sum of the requirement for quality category 2	The sum of the requirement for quality category 3	The sum of the requirement for quality category 4	The sum of the requirement for quality category 5	Overdue debt up to 30 days	Overdue debt from 31 to 90 days	Overdue debt over 180 days
Loan and equated debt of credit institutions	767 630	767 630	0	0	0	0	0	0	0
Loan and equated debt of legal entities	676 799	125 377	228 666	318 691	0	4 065	0	0	0
Loan and equated debt of individuals	27 304	17 311	4 930	5 063	0	0	0	0	0

As of 01.01.2020, there is no overdue loan and equated debt.

Estimated reserve	Formed reserve, total	Quality category 2 reserve	Quality category 3 reserve	Quality category 4 reserve	Quality category 5 reserve	Adjustment of the provision for possible losses
0	0	0	0	0	0	45
74 316	44 390	3 326	36 999	0	4 065	(4 880)

2 581	2 581	49	2 532	0	0	(2 478)

The main borrowers of the Bank are organizations whose main activity is wholesale and retail trade.

So, as of 01.01.2021, borrowers engaged in wholesale and retail trade account for 81% of the total amount of outstanding loans provided to borrowers-legal entities.

The table below provides information on the distribution of outstanding loans in the context of activities of the Bank's borrowers. In 2020, one of the leading areas of activity is lending to enterprises operating in various sectors of the economy.

Main borrowers:

- wholesale and retail trade;
- transactions with real estate, rent and provision of services;
- other activities.

Information on the types of economic activities of borrowers

Indicator name	01.01.2021		01.01.2020	
	Loan debt	%	Loan debt	%
Loans to legal entities in total (including individual entrepreneurs), including by type of activity:	480 017	100	676 799	100
Transport and communication	29 930	7	0	0
Wholesale and retail trade, repair of vehicles, motorcycles, household goods and personal items	393 886	81	523 593	77
Real estate transactions, rent and provision of services	52 885	11	153 207	23
Other activities	3 316	1		
Of the total amount of loans provided to legal entities and individual entrepreneurs, loans to small and medium-sized businesses, of which:	296 065	62	365 477	54
To Individuals entrepreneurs	0	0		

Information about the purpose of lending

Indicator name	01.01.2021		01.01.2020	
	Loan debt	Share in the total amount of loans, (in %)	Loan debt	Share in the total amount of loans, (in %)
Loans to legal entities in total (including individual entrepreneurs)	480 017	100	676 799	100
Including by types of loans provided:				

To replenish working capital	427 132	89	558 592	83
For the purchase of fix assets	52 885	11	76 885	11
For construction	0	0	41 322	6
<b>Including by categories of borrowers:</b>	<b>480 017</b>	<b>100</b>	<b>676 799</b>	<b>100</b>
Corporate business	183 952	38	311 322	46
Small and medium businesses	296 065	62	365 477	54

From the above data, it can be seen that the majority of clients - legal entities use the received loan funds to replenish working capital, the share of these loans is 89% as of 01/01/2021 and 83% as of 01/01/2020 to the total amount of loans issued to legal entities.

Clients - individuals use the received loan funds mainly for consumer purposes, the share of these loans is 81% of the total amount of loans issued to individuals as of 01.01.2021 and 01.01.2020.

In the reporting period, the Bank continued lending to individuals. Data on the distribution of outstanding loans by lending purposes are shown in the table:

Indicator name	01.01.2021		01.01.2020	
	Loan debt	Share in the total amount of loans,(in %)	Loan debt	Share in the total amount of loans,(in %)
<b>Loans to individuals , total,</b>	<b>21 344</b>	<b>100</b>	<b>27 304</b>	<b>100</b>
<b>Including by types:</b>				
consumer goals	17 332	81	22 241	81
mortgage loans	4 012	19	5 063	19

The bulk of the loan debt of individual borrowers falls on the staff of the Embassy of the Republic of India.

Information on the geographical origin of borrowers, the structure of overdue debt is presented in the following table:

Indicator name	01.01.2021		01.01.2020	
	Loan debt	Share in the total amount of loans,(in %)	Loan debt	Share in the total amount of loans,(in %)
<b>By geographic affiliation</b>	<b>501 361</b>	<b>100</b>	<b>704 103</b>	<b>100</b>
Moscow city	341 725	68	491 704	74
Moscow region	89 582	18	162 068	17
Vladimir city, Vladimir region	0	0	13 000	0
Republic of Sakha (Yakutia), Yakutsk	70 054	14	37 330	9

#### 6.1.4. Net investment in financial assets measured at fair value through other comprehensive income



Indicator name	01.01.2021	01.01.2020
<b>Net investment in financial assets measured at fair value through other comprehensive income</b>		
	<b>2 289 015</b>	<b>947 394</b>
<i>federal loan bonds (FLB)</i>	<i>922 449</i>	<i>947 394</i>
<i>Eurobonds of the Russian Federation</i>	<i>1 366 566</i>	<i>0</i>
<i>Reserve</i>	<i>0</i>	<i>0</i>
<i>Adjustment of the allowance to the amount of the estimated allowance for expected credit losses</i>	<i>0</i>	<i>0</i>
<b>Total</b>	<b>2 289 015</b>	<b>947 394</b>

As of 01.01.2021, investments in financial assets measured at fair value through other comprehensive income include:

- FLB 26223 coupon yield 6.5%, maturity date 02.28.2028, FLB 26226 coupon yield 7.95%, maturity date 07.10.2026 and FLB 26227 coupon yield 7.4%, maturity date 17.07.2024;
- Russian Federation Eurobonds RUS 26 coupon yield 4.75%, maturity date 27/05/2026, RUS 27 coupon yield 4.25%, maturity date 23/06/2027, RUS 28 coupon yield 12.75%, maturity date 24/06/2028.

As of 01.01.2020, investments in financial assets measured at fair value through other comprehensive income included:

- FLB 26212 maturity date 19.01.2028 coupon yield 7.05% and FLB 46020 maturity date 06.02.2036 coupon yield 6.9%.
- there were no Eurobonds of the Russian Federation.

Information on the types of economic activities of issuers

Indicator name	01.01.2021	01.01.2020
Public administration	2 289 015	947 394
<b>Total</b>	<b>2 289 015</b>	<b>947 394</b>

#### 6.1.5. Net investments in securities and other financial assets, measured at amortized cost (except loan debts)

As of 01.01.2021 and 01.01.2020 there are no financial assets.

#### 6.1.6. Investments in subsidiaries and dependent organizations

As of 01.01.2021 and 01.01.2020 there are no financial assets.

#### 6.1.7 Information on the methods of valuation of assets and liabilities.

**Methods for assessing the Bank's liabilities.**

After initial recognition, the Bank records financial liabilities at amortized cost, which is determined in accordance with Appendix A of IFRS 9, except as provided in paragraph 4.2.1 of IFRS 9.

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During 2020, the Bank reflected all liabilities at amortized cost.

**Assets valuation methods.**

**Methods for evaluating purchased securities.**

After initial recognition, the acquired securities are accounted for by the Bank at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss in accordance with IFRS 9, except as otherwise provided in paragraph 4.1.5 IFRS 9 based on the business model used by the Bank for the management of securities and characteristics of the acquired securities related to the stipulated cash flows of the securities issue.

The Bank measures securities at amortized cost if both of the following conditions are met:

- the management of securities is carried out on the basis of a business model, the purpose of which is to receive cash flows provided for by the terms of the issue of securities;
- the terms of the issue of securities provide for the receipt on the indicated dates of cash flows, which are solely payments on account of the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

The Bank measures securities at fair value through other comprehensive income if both of the following conditions are met:

- the management of securities is carried out on the basis of a business model, the purpose of which is both to receive the cash flows provided for by the terms of the issue of securities and to sell the securities;
- the terms of the issue of securities provide for the receipt on the indicated dates of cash flows, which are solely payments on account of the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

Securities that have not been classified by the Bank into the category of securities measured at amortized cost or the category of securities measured at fair value through other comprehensive income are measured at fair value through profit or loss.

In the cases established by the Bank of Russia Regulation, Bank of Russia Regulation № 611-P dated October 23, 2017 "On the Procedure for Forming Potential Loss Reserves by Credit Institutions", the Bank creates reserves for potential losses for investments in securities.

The choice of the business model for the management of securities is carried out by the financial committee of the Bank.

Using the business model at fair value through other comprehensive income or fair value through profit or loss, the Bank determines the fair value of securities in accordance with International Financial Reporting Standard (IFRS) 13 Fair Value Measurement.

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At the same time, such a transaction is made between independent parties in transactions carried out in the ordinary course of business without signs of a forced transaction.

The valuation techniques used by the Bank to measure fair value include maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Inputs are the assumptions that market participants would use when pricing a particular asset or liability, including assumptions about risks, such as the following:

- the risk inherent in a particular valuation technique (for example, a pricing model) used to measure fair value; and

- the risk inherent in the inputs to a given valuation technique. Baseline data can be observable or unobservable.

Observable inputs are inputs that are derived from market information, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use when pricing the related asset or liability.

In accordance with IFRS 13, in order to achieve the greatest consistency and comparability of fair value measurements and the information disclosed in relation to them, the Bank uses a fair value hierarchy, which provides for grouping the inputs included in the valuation techniques used to measure fair value into three levels.

**I level of fair value measurement.** The most reliable evidence of the fair value of an asset is quoted prices in an active market. These are data for financial instruments traded in an active market, the fair value of which can be determined based on current unadjusted market data.

Within Level 1, the emphasis is on defining the following:

- a primary market for the asset or liability or, in the absence of a primary market, the most advantageous market for that asset or liability;
- whether the entity can enter into a transaction for the asset or liability at the market price at the measurement date.

The initial data of Level 1 includes:

- quoted prices in major markets for this Financial Instrument
- data disclosed by other organizers of trades or information systems, the operators of which are professional participants in the securities market, carrying out activities to organize trading in the securities market.

**II level of fair value measurement.** In the absence of quoted prices for an asset in an active market, the following can be used:

- quoted prices for similar assets, as well as;
- other observable inputs (for example, yield curves, volatility and credit spreads for the asset).

The main qualification prerequisite for this Level 2 is that inputs that materially affect fair value are observable directly or indirectly in the open market (paragraph 81 of Appendix B to IFRS 13), excluding quoted prices classified as Level 1.

The initial data of Level 2 includes:

- quoted prices or yields for similar(not identical) financial instruments in active markets;
- quoted prices for identical or quoted securities in markets that are not active;
- other data observable for a financial instrument and confirmed by the market.

The initial data of Level 2 includes:

- use of prices from recent commercial transactions;
- use of the current fair value of similar instruments.

The sources of this data are external to the Bank.



**III level of fair value measurement.** In the absence of observable inputs for an asset, unobservable inputs may be used to measure the asset at fair value, assuming that there is risk inherent in the method used to measure the asset at fair value.

Level 3 includes historical data on assets similar to the one being assessed.

A valuation of an asset based on unobservable inputs that does not take into account the risk inherent in the inputs to the valuation technique is not a reliable estimate of fair value.

Sources of information for estimating fair value include:

- data of exchange trading systems;
- data from over-the-counter trading systems;
- data from regulators of the securities market (Central Bank of the Russian Federation, regulators of other jurisdictions);
- data of the RF Ministry of Finance;
- data from independent organizations and associations (including estimates);
- data from associations of professional participants in the securities market and self-regulatory organizations and others);
- data of rating agencies;
- data from international organizations;
- information from the Federal Property Management Agency on the sale of shares owned by the Russian Federation;
- information and analytical systems (Bloomberg, Thomson Reuters, Ru Data Inter-fax);
- information received at the request of the Bank from a third party (proposals for the conclusion of transactions). The Bank mainly uses data from official sources.

For Eurobonds, the priority is given to information from the foreign market.

For securities traded on the organized Russian securities market and denominated in the currency of the Russian Federation, the Bank uses data from PJSC Moscow Exchange. The bank uses price quotes in order of priority and availability:

- weighted average price;
- closing price.

For non-resident securities, residents traded on the unorganized securities market, including Eurobonds of the Russian Federation, the reliably determined fair value is the closing price of the trading day (BGN price, and in its absence, the TRPS price (Thomson Reuters Pricing Service - TRPS Score) provided by the news agency Thomson Reuters. The TRPS level is a coefficient that takes values from 1 to 10 points, which aggregates an array of data (for example, data regularity, volume of transactions, number of market makers, analytical and financial data on the issuing company, etc.) for the corresponding financial instrument and allows you to draw conclusions about the quality of the market and the information available about the financial instrument.

All securities purchased in 2020 were accounted for by the Bank at fair value through other comprehensive income.

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The Bank did not perform REPO(repurchase agreement) transactions in 2020.

#### **Methods for evaluating financial assets other than securities.**

After initial recognition, financial assets are carried at amortized cost, which is determined in accordance with Appendix A of IFRS 9, at fair value through other comprehensive income or at fair value through profit or loss, which is determined in accordance with IFRS 9, except as set out in paragraph 4.1.5 of IFRS 9, based on:

the business model used by the Bank to manage financial assets;

the characteristics of the financial asset related to the contractual cash flows.

Financial assets are measured by the Bank at amortized cost if both of the following conditions are met:

- the management of financial assets is carried out in the basis of a business model, the purpose of which is to obtain cash flows stipulated by the terms of the financial asset,
- the contractual terms of the financial asset give rise to cash flows on those dates that are solely payments of principal and interest on the principal outstanding.

Financial assets are measured by the Bank at fair value through other comprehensive income if both of the following conditions are met:

- the management of financial assets is carried out on the basis of a business model, the purpose of which is both to obtain the cash flows stipulated by the terms of the financial asset and to sell the financial asset,
- the contractual terms of the financial asset give rise to cash flows on those dates that are solely payments of principal and interest on the principal outstanding.

Financial assets are measured by the Bank at fair value through profit or loss, unless they are measured at amortized cost or fair value through other comprehensive income.

Post-initial recognition bank guarantee and cash flow liabilities are classified for accounting purposes in accordance with paragraph 4.2.1 of IFRS 9.

The Bank used the amortized cost method for accounting for outstanding loans.

#### **6.1.8. Fixed assets, intangible assets and inventories**

Article title	01.01.2021	01.01.2020
Fixed assets	9 854	9 584
Depreciation of fixed assets	(7 922)	(7 541)
Property received in finance lease	52 473	0
Depreciation of property, plant and equipment received under finance lease	(13 427)	0
Intangible assets	16 609	14 904
Depreciation of intangible assets	(1 974)	(1 427)



Stocks	63	26
Real estate temporarily unused in the main activity	0	0
<b>Total</b>	<b>55 676</b>	<b>15 546</b>

#### 6.1.8.1. Fixed assets

Fixed assets are accepted for accounting at their initial cost.

The historical cost of fixed assets acquired for a fee is the amount of the Bank's actual costs for the construction (construction), creation (manufacture) and acquisition of an item of fixed assets, excluding recoverable value added tax and other recoverable taxes.

The specific composition of the actual costs of construction (construction), creation (manufacture) and acquisition of fixed assets, as well as costs of delivery and bringing the facilities to a state of readiness for use, is determined by the Bank in accordance with the legislation of the Russian Federation.

The initial cost of fixed assets includes the contractual future costs of dismantling the fixed asset, liquidating the object and restoring the environment in the area occupied by it at a discounted cost.

Depreciation on fixed assets is accrued on a straight-line basis.

For the subsequent assessment of fixed assets, the Bank selects the following accounting model in relation to a group of similar fixed assets:

- at historical cost less accumulated depreciation and accumulated impairment losses- for all groups.

The established accounting model for each group of homogeneous fixed assets is applied to all fixed assets included in this group.

Revaluation of fixed assets is not performed.

The costs of major repairs and technical inspections are recognized as a part (component) of the fixed asset only in relation to regular significant costs (more than 10% of the total cost of the object, and (or) if the costs increase the service life of the fixed asset) arising at certain intervals time over the useful life of an item of property, plant and equipment.

The Bank estimates the future costs of fulfilling obligations for dismantling, liquidation of the facility and restoration of the environment in the area it occupies, provided for by the relevant agreement, and are included in the initial cost of fixed assets in order to reimburse them during the period of use of this facility. The future costs of meeting the obligations to dismantle, abandon the facility and restore the environment in the area occupied by it are to be recognized as a non-credit provision with a provision for a non-credit provision. Obligations to dismantle, abandon the facility and restore the environment on the site occupied by it are carried at discounted value using a pre-tax discount rate that takes into account the existing conditions in the financial market and specific risks for such obligations, which are not taken into account when calculating future costs of meeting them. At the end of each reporting year, the obligations to dismantle, liquidate the facility and restore the environment in the area occupied by it are subject to verification by the Bank to identify events that affect their assessment. In 2020, the Bank did not have fixed assets for which, in accordance with contractual obligations, the Bank had an obligation to dismantle, liquidate the facility and restore the environment in the area it occupied.



The estimated residual value for items of property, plant and equipment is revised at the end of each reporting year.

Annually, as of the end of the last calendar day of the reporting year, as well as in the event of events that materially affect the valuation of fixed assets, the Bank checks these objects for impairment. If there is any indication of possible impairment, the Bank shall determine the recoverable amount of each item of property, plant and equipment.

Annually, as of the end of the last calendar day of the reporting year, the Bank revises the method of calculating depreciation and useful lives for items of fixed assets. The depreciation method used should reflect the expected pattern of consumption by the Bank of the future economic benefits from the asset. The method of calculating depreciation chosen by the Bank is approved in the Accounting Policy.

Class name of fixed assets	Minimum CFL, months	Maximum CFL, months
Road transport	37	37
Computer Engineering	25	37
Furniture	37	61
Office equipment	25	61
Other fixed assets	37	61
Strongboxes	241	241
Special banking equipment	37	85

#### Information on book value and accumulated depreciation

Indicator name	Fixed assets
Residual value as of 01.01.2020	2 043
Book value as of 01.01.2020	9 584
Acquisition of fixed assets in 2020	463
Disposals of property, plant and equipment in 2020	(193)
Book value as of 01.01.2020	9 854
Depreciation as of 01.01.2020	7 541
Depreciation deductions for 2020	628
Disposal	(247)
Depreciation as of 01.01.2021	7 922
Residual value as of 01.01.2021	1 932

#### Information about the revaluation of fixed assets.

As of 01.01.2021 and 01.01.2020, the revaluation of fixed assets was not carried out.

#### Information about the value of fixed assets pledged as security for obligations.

Items of fixed assets as of 01.01.2021 and 01.01.2020 were not pledged as collateral.

#### Information on the existence of restrictions on ownership of fixed assets, including real estate.

As of 01.01.2021 and 01.01.2020 there is no real estate owned by the Bank.

**Information on the amount of contractual obligations for the purchase of fixed assets.**

As of 01.01.2021 and 01.01.2020, the Bank has not concluded contracts for the purchase of fixed assets.

**Non-current assets held for sale.**

As of 01.01.2021 and 01.01.2020, the Bank has no long-term assets held for sale.

**6.1.8.2. Intangible assets**

Intangible assets are accepted for accounting at their initial cost. The historical cost of an intangible asset is recognized as an amount calculated in monetary terms, equal to the amount of payment in cash or other form or the amount of accounts payable paid or accrued upon acquisition, creation of an intangible asset and provision of conditions for the use of an intangible asset in accordance with the intentions of the Bank's management.

The specific composition of expenses for the acquisition and creation of an intangible asset, as well as expenses not to be included in such expenses, is determined in accordance with the legislation of the Russian Federation and regulations of the Bank of Russia.

Revaluation of intangible assets is not performed.

For the subsequent measurement of all groups of intangible assets, the accounting model is used at cost less accumulated depreciation and accumulated impairment losses. This accounting model applies to all intangible assets in each group.

Depreciation is charged on a straight-line basis.

Intangible assets with indefinite lives and intangible assets that have not been brought to suitability for their intended purposes are not amortized, but are mandatorily tested annually for impairment (regardless of whether there is any indication of possible impairment).

Annually, as of the end of the last calendar day of the reporting year, as well as in the event of events that materially affect the valuation of intangible assets, the Bank checks these objects for impairment. If there is any indication of possible impairment, the Bank is required to determine the recoverable amount of each item of intangible assets.

Annually, as of the end of the last calendar day of the reporting year, the Bank revises the method of calculating depreciation and useful lives for intangible assets. The depreciation method used should reflect the expected pattern of consumption by the Bank of the future economic benefits from the asset. The method of calculating depreciation chosen by the Bank is approved in the Accounting Policy.

**Carrying amount, accumulating depreciation and impairment losses in the current and previous reporting dates**

Name of a group of intangible assets	Book value as of 01.01.2020	Accumulated depreciation	Amount of impairment loss
Non-exclusive software rights(licenses)	14 904	1 427	0
Investments in the creation and acquisition of intangible assets	0	0	0
<b>Total</b>	<b>14 904</b>	<b>1 427</b>	<b>0</b>

Name of a group of intangible assets	Book value as of 01.01.2021	Accumulated depreciation	Amount of impairment loss
Software(exclusive rights)	0	0	0
Non-exclusive software rights(licenses)	16 609	1 974	0
<b>Total</b>	<b>16 609</b>	<b>1 974</b>	<b>0</b>

#### Classification of intangible assets by useful lives.

Name of a group of intangible assets	Minimum SFL, months	Maximum SFL, months	Indefinite term
Non-exclusive software rights(licenses), including	60	300	0
- non-exclusive software rights(licenses)	0	0	0

#### 6.1.9. Information regarding real estate temporarily not used in the main activity.

Real estate temporarily unused in the main activity is property (part of property) (land plot or building, or part of a building, or both), held (held) by the owner or lessee as an asset in the form of a right of use and intended (intended) to receive lease payments (except for payments under financial lease (leasing) agreements, income from the increase in the value of this property, or both, but not for use as a means of labor in the provision of services, for administrative purposes, in order to ensure safety, environmental protection, as well as in cases stipulated by sanitary and hygienic, technical and operational and other special technical standards and requirements, the sale of which during The Bank is not planning 12 months from the date of classification as property temporarily unused in its core business.

The types of real estate that are temporarily unused in the main activity are determined in accordance with paragraph 8 of the International Financial Reporting Standard (IAS) 40 "Investment Property".

This accounting model will be applied consistently to all real estate temporarily unused in the main activity objects.



For a property that is temporarily not used in its main activities, carried at historical cost less accumulated depreciation and accumulated impairment losses, the Bank estimates the future costs of meeting obligations to dismantle, liquidate the property and restore the environment on the site it occupies and includes them in its initial cost so that the Bank could reimburse them during the period of use of this object, even if such costs will be incurred only after the end of its use.

The value of properties temporarily unused in the main activity, carried at cost less accumulated depreciation and accumulated impairment losses, is repaid through depreciation.

The depreciable amount is defined as the initial cost of real estate, temporarily unused in the main activity, minus the estimated residual value.

The estimated residual value of a property that is temporarily unused in its core business is the amount that the Bank would have received at the current moment from the disposal of the property after deducting the estimated disposal costs when the property reaches the end of its useful life.

If the estimated liquidation value of a property that is temporarily unused in its core business is insignificant based on the materiality criteria approved in the accounting policy, the Bank does not take it into account when calculating the depreciable amount of the property.

The useful life of real estate items temporarily unused in the main activity is determined by the Bank upon their recognition.

Depreciation on a property that is temporarily not used in the main activity starts from the date of recognition of the object as property that is temporarily unused in the main activity.

No depreciation is charged on land plots.

Temporarily unused property carried at historical cost less accumulated depreciation and accumulated impairment losses is subject to an impairment test at the end of each reporting year.

During 2020, the Bank had no balances and no transactions with real estate that was temporarily unused in its core business.

#### **6.1.10. Information on lease operations.**

Leases are accounted for by the Bank in accordance with the International Financial Reporting Standard (IFRS) 16 "Leases", as well as in accordance with the Regulation of the Bank of Russia dated 12.11.2018 № 659-P "On the procedure for reflecting lease agreements on the accounts by credit institutions" ...

A contract as a whole or its individual components is a lease if the contract transfers the right to control the use of an identified asset for a specified period in exchange for consideration. At the moment of entering into the agreement, the Bank assesses whether the agreement as a whole or its separate components is a lease agreement.

The Bank defines the lease term as a non-terminating lease period together with:

(a) the periods for which the right to renew the lease is provided, if it is reasonably certain that the Bank will exercise this right; and

(b) periods for which the right to terminate the lease is provided, if it is reasonably certain that the Bank will not exercise that right.

When assessing whether there is sufficient confidence that the Bank will exercise the right to extend the lease, or that the Bank will not exercise the right to terminate the lease, the Bank takes into account all relevant facts and circumstances that give rise to an economic incentive to exercise the right to extend the lease or not exercise the right to terminate the lease.

In accordance with paragraph 5 of IFRS16, the Bank decided to apply the exemptions provided for:

- (a) short-term leases; and
- (b) a lease for which the underlying asset is of low value.

As a short-term lease, the Bank classifies leases under which, at the commencement date of the lease, the intended lease term is not more than 12 months.

The determination of the lease term under an agreement containing a clause on the Bank's right to extend the lease term, or on the Bank's right to early terminate the lease, is determined in accordance with the above principles.

A lease that contains the right to purchase the underlying asset at the end of the lease term is not a short-term lease.

The conclusion about the low value of the asset is made on an absolute basis. The underlying asset can be of low value only if:

- (a) the Bank can benefit from the use of the underlying asset, either alone or together with other resources to which the Bank has free access; and
- (b) the underlying asset is not highly dependent or closely related to other assets.

A lease of an underlying asset does not qualify for classification as a lease of a low-value asset if the asset is new. It also does not meet the criteria for classifying a low-value asset as a lease if the value of the underlying asset exceeds RUB 350 thousand.

For short-term leases or leases in which the underlying asset is of low value, the lease payments are recognized by the Bank as an expense on a straight-line basis over the lease term.

At the commencement date of the lease, the right-of-use asset is assessed by the Bank at historical cost determined in accordance with paragraph 24 of IFRS16. The cost of the right-of-use asset must include:

- the amount of the initial measurement of the lease liability at the present value of the lease payments that have not yet been settled at that date;
- lease payments on or prior to the commencement date of the lease, net of lease incentive payments received;
- any initial direct costs incurred by the Bank;

- an estimate of the costs that will be incurred by the Bank in dismantling and moving the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required in accordance with the lease terms.

At the commencement date of the lease, the lease liability is measured at the present value of the lease payments. Lease payments are discounted using the interest rate stipulated in the lease. If it is impossible to calculate the interest rate specified in the lease agreement, the interest rate on the borrowed funds of the Bank is used, and the Bank can also use the key rate of the Bank of Russia.

Subsequent to initial recognition, right-of-use assets related to property, plant and equipment are measured using the cost model less accumulated depreciation and accumulated impairment losses.

If right-of-use assets belong to a group of property, plant and equipment to which the revaluation model is applied, the Bank decided not to apply the revaluation model to right-of-use assets that belong to such group of property, plant and equipment. In this case, right-of-use assets are measured using the cost model less accumulated depreciation and accumulated impairment losses.

On subsequent accounting, the lease liability is measured by the Bank as follows:

- the carrying amount of the lease liability is increased by the interest on the lease liability;
- the carrying amount of the lease liability is reduced by the amount of lease payments made;
- the carrying amount of the lease liability is re-measured to reflect changes in lease payments in the event of a change in the lease term or a change in the measurement of the right to enter into a sale and purchase agreement for the underlying asset.

After the commencement date of the lease, the following are recognized in profit or loss (unless costs are included in the carrying amount of another asset using other applicable standards):

- interest on the list liability;
- variable lease payments that are not included in the measurement of the lease liability in the period of which an event or condition occurs that triggers those payments.

The interest on the lease liability in each period over the lease term is the amount obtained by applying a discount rate to the outstanding lease liability.

Interest expense on the lease liability is accrued using the EIR(effective interest rate) method, where the interest rate on borrowed funds determined by the lease agreement or determined by the Bank is used as the EIR.

During 2020, the Bank had two lease agreements for real estate recognized as long-term.

As of 01.01.21 the Bank has:



- one lease agreement for real estate with a remaining period of 2 years, the asset value of RUB 3,374 thousand, accrued depreciation RUB 1,127 thousand; total net asset value of RUB 2,247 thousand.

- one lease agreement for real estate with a remaining term of 3 years, asset value RUB 49,099 thousand, accrued depreciation RUB 12,300 thousand; total net asset value RUB 36,799 thousand.

Under these agreements, the total amount of interest by the Bank as part of expenses for 2020 amounted to 6,228 thousand rubles.

#### Operating lease.

The Bank has three operating lease agreements as of 01.01.2021. The value of underlying assets received in short-term leases, as well as underlying assets of low value, is recorded by the Bank in off-balance sheet accounts. The value of assets reflected in off-balance sheet accounts as of 01.01.2021 amounted to 39,474 thousand rubles. Rent for short-term lease and lease of assets with a low value for 2020 2 797 thousand rubles.

The Bank does not have lease agreements without the right to early termination. The Bank has no sublease agreements. The bank did not lease property during 2020.

#### **6.1.11.Information about the methods and assumptions used to determine fair value.**

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At the same time, such a transaction is made between independent parties in transactions carried out in the ordinary course of business without signs of a forced transaction.

The main signs of a forced operation (but not limited to those listed below):

- the need for immediate disposal of the financial instrument;
- the presence of financial difficulties;
- lack of time to sell them;
- the presence of only one potential buyer as a result of imposed legal and time constraints;
- a significant excess of the number of offers over demand. Different levels of supply and demand in the market are not always a determining factor in compulsory transactions, since the seller may have financial difficulties, but he nevertheless has the opportunity to sell financial instruments at market prices, provided there is more than one potential buyer in the market and sufficient time for sales. Bankruptcy transactions are not recommended to be considered automatically compulsory.

The Bank is guided by the following basic principles of valuation of inputs to determine fair value:

- valuation techniques used to measure fair value should maximize the use of relevant observable inputs and minimize the use of unobservable inputs;

- examples of markets in which inputs may be observable include foreign exchange markets, dealer markets, intermediary markets, and principal-to-principal markets;

- in many cases, the transaction price will be equal to the fair value (for example, this situation may occur when, at the date of the transaction, the transaction to purchase an asset is carried out in the same market in which this asset would be sold) (paragraph 58 of IFRS (IFRS) thirteen); when deciding whether the fair value at initial recognition is equal to the transaction price, the Bank takes into account factors specific to this transaction and to this asset or liability (paragraph 59 of IFRS (IFRS) 13);

- verification of the transaction price to ensure that the price may not represent the fair value of the asset or liability at initial recognition (paragraph B4 of Appendix B to IFRS (IFRS) 13) is carried out by considering these factors in forming professional judgment.

In accordance with IFRS (IFRS) 13, in order to achieve the greatest consistency and comparability of fair value measurements and the information disclosed in relation to them, the Bank uses the following fair value hierarchy, which provides for a grouping of inputs included in the valuation techniques used to measure fair value, over three levels.

**I level of fair value measurement.** The most reliable evidence of the fair value of an asset is quoted prices in an active market.

These are data for financial instruments traded in an active market, the fair value of which can be determined based on current unadjusted market data.

Within Level 1, the emphasis is on defining the following:

a primary market for the asset or liability or, in the absence of a primary market, the most advantageous market for that asset or liability;  
whether the entity can enter into a transaction for the asset or liability at the market price at the measurement date.

The initial data of Level 1 includes:

- quoted prices in major markets for this Financial Instrument
- data disclosed by other organizers of trades or information systems, the operators of which are professional participants in the securities market, carrying out activities to organize trading in the securities market.

**II level of fair value measurement.** In the absence of quoted prices for an asset in an active market, the following can be used:

- quoted prices for similar assets, as well as;
- other observable inputs (for example, yield curves, volatility and credit spreads for the asset).

The main prerequisite for classification for this level 2 is that inputs that have a significant effect on fair value are observable directly or indirectly in the open market (paragraph 81 of Appendix B to IFRS 13), excluding price quotations attributed to Level 1.



The initial data of Level 2 includes:

- quoted prices or yields for similar (not identical) financial instruments in active markets;
- quoted prices for identical or similar securities in markets that are not active;
- other data observable for a financial instrument and confirmed by the market;

The initial data of Level 2 includes:

- use of the prices of recent commercial transactions;
- use of the current fair value of similar instruments.

The sources of these data are external to the Bank.

**III level of fair value measurement.** In the absence of observable inputs for an asset, unobservable inputs may be used to measure the asset at fair value, assuming that there is risk inherent in the method used to measure the asset at fair value.

Level 3 includes historical data on assets similar to the one being assessed.

A valuation of an asset based on unobservable inputs that does not take into account the risk inherent in the inputs to the valuation technique is not a reliable estimate of fair value.

The Bank's accounting policy provides that if the fair value of financial liabilities or financial assets at initial recognition differs significantly from the transaction price for the purchase of securities, the Bank reflects the difference between the fair value and the transaction price in accounting for income or expense accounts. The materiality criteria developed by the Bank taking into account paragraph 7 of IAS 1 have been approved in the accounting policy.

During 2020, the Bank did not have transactions concluded on non-market terms. For all financial liabilities and financial assets, fair values are measured reliably. In all cases, the Bank determines fair value based on observable data, a level 1 advantage.

#### 6.1.12 Information on the volume, structure and changes in the value of other assets

Other assets	01.01.2021	01.01.2020	Change
<b>Financial assets</b>	<b>5 912</b>	<b>86</b>	<b>5 826</b>
- settlements with currency and stock exchanges	5949	79	5 870
- settlements with other debtors	9 312	13 357	(4 045)
- other assets	2	7	(5)
<i>Provision for possible losses</i>	<i>(9 345)</i>	<i>(13 357)</i>	<i>4 012</i>
<i>Adjustment of the allowance to the estimated allowance for expected credit losses</i>	<i>(6)</i>	<i>0</i>	<i>(6)</i>
<b>Non-financial assets</b>	<b>1 036</b>	<b>151</b>	<b>885</b>
- taxes	1 036	151	885



<i>Provision for possible losses</i>	0	0	0
<b>Total other assets less allowance for potential losses and allowance</b>	<b>6 948</b>	<b>237</b>	<b>6 711</b>

During the reporting period, a reserve was created for other assets in accordance with Bank of Russia Regulation № 611-P, as well as the Bank's internal Regulation "On the Procedure for Forming Provisions for Possible Loss". There are no long-term receivables expected to be settled in the period exceeding 12 months from the reporting date.

#### Information on other assets by types of currencies

Other assets	01.01.2021	Russian Rubles	U.S. dollars
<b>Financial assets</b>	<b>5 976</b>	<b>96</b>	<b>5 880</b>
- settlements with currency and stock exchanges	5 948	62	5 886
- settlements with other debtors	9 344	9 344	0
- other assets	36	36	0
<i>Provision for possible losses</i>	<i>(9 346)</i>	<i>(9 346)</i>	<i>0</i>
<i>Adjustment of the allowance to the estimated allowance for expected credit losses</i>	<i>(6)</i>	<i>0</i>	<i>(6)</i>
<b>Non-financial assets</b>	<b>972</b>	<b>972</b>	<b>0</b>
- taxes	972	972	0
<i>Provision for possible losses</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total other assets less provision for potential losses and estimated provision</b>	<b>6 948</b>	<b>1 068</b>	<b>5 880</b>

Other assets	01.01.2020	Russian Rubles	U.S. dollars	Euro
<b>Financial assets</b>	<b>86</b>	<b>86</b>	<b>0</b>	<b>0</b>
- settlements with currency and stock exchanges	79	79	0	0
- settlements with other debtors	13 357	12 223	0	1 134
- other assets	7	7	0	0
<i>Provision for possible losses</i>	<i>(13 357)</i>	<i>(12 223)</i>	<i>0</i>	<i>(1 134)</i>
<i>Adjustment of the allowance to the estimated allowance for expected credit losses</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Non-financial assets</b>	<b>151</b>	<b>151</b>	<b>0</b>	<b>0</b>
- taxes	151	151	0	0
<i>Provision for possible losses</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total other assets less provision for potential losses and estimated provision</b>	<b>237</b>	<b>237</b>	<b>0</b>	<b>0</b>

**Information about other assets broken down by terms remaining to maturity.**

Other assets	01.01.2021	01.01.2020	Change
Up to 30days	6 555	7	6 548
From 30 to 180 days	2 612	13 551	(10 939)
From 181 to 365 days	7 133	36	7 097
<i>Provision for possible losses</i>	(9 346)	(13 357)	4 011
<i>Adjustment of the allowance to the estimated allowance for expected credit losses</i>	(6)	0	(6)
<b>Total other assets less provision for potential losses and estimated provision</b>	<b>6 948</b>	<b>237</b>	<b>6 711</b>

**6.1.13. Information about the balance of funds on the accounts of the Bank.**

As of 01.01.2021 and 01.01.2020, the Bank has no loans, deposits, or other funds raised from the Central Bank of the Russian Federation.

**6.1.14. Information about the balances of funds on clients' accounts.**

As of 01/01/2021, customer funds amount to 5,832,348, as of 01/01/2020 1,068,788, an increase of 446% is associated with the attraction of funds from legal entities.

The structure of funds placed on clients' accounts is shown in the table:

Indicator name	01.01.2021	Change	01.01.2020
Funds of credit institutions	1 704 983	1 611 427	93 556
Funds of customers other than credit institutions	4 127 365	3 152 133	975 232
<i>Including individual entrepreneurs</i>	23 798	13 299	10 499
<b>Total</b>	<b>5 832 348</b>	<b>4 763 560</b>	<b>1 068 788</b>

Funds of customers other than credit institutions by currency:

Indicator name	01.01.2021	In rubles	In U.S. dollars	In Euro
Funds of customers other than credit institutions	4 127 365	3 370 649	751 951	4 765
<i>Including individual entrepreneurs</i>	23 798	4 042	19 751	5

Indicator name	01.01.2020	In rubles	In U.S. dollars	In Euro
Funds of customers other than credit institutions	975 232	194 705	768 249	12 278
<i>Including individual entrepreneurs</i>	10 499	395	10 101	3

Information on the balances of funds of clients of legal entities by type of economic activity:

Indicator name	01.01.2021
Coal mining	1 872 568
Production of medicines and materials used for medical purposes	1 196 323
Wholesale trade, except for the wholesale trade of motor vehicles and motorcycles	450 706
Education	336 540
Activities of extraterritorial organizations and bodies	114 233
Advertising activities and market research	29 231
Crop and livestock production, hunting and related services in these areas	21 897
Manufacture of machinery and equipment not included in other categories	21 159
Manufacture of electrical equipment	18 421
Wholesale and retail trade in motor vehicles and motorcycles and their repair	18 179
Land and pipeline transport activities	9 146
Retail trade, excluding trade in motor vehicles and motorcycles	7 520
Activities in the field of architecture and engineering and technical design; technical testing, research and analysis	6 866
Manufacture of finished metal products, except for machinery and equipment	6 731
Manufacture of rubber and plastic products	5 130
Manufacture of other finished goods	4 270
Real estate operations	3 734
Development of computer software, consulting services in this area and other related services	2 468
Food production	1 060
Activities of travel agencies and other organizations providing services in the field of tourism	883
Other activities	300
<b>Funds of customers other than credit institutions</b>	<b>4 127 365</b>

Name	01.01.2020
Education	245 957
Coal mining	193 921
Wholesale trade, except for the wholesale trade of motor vehicles and motorcycles	187 837
Activities of extraterritorial organizations and bodies	111 009
Real estate operations	52 179
Crop and livestock production, hunting and related services in these areas	42 686
Production of medicines and materials used for medical purposes	29 692
Advertising activities and market research	28 455
Manufacture of electrical equipment	18 169



Manufacture of machinery and equipment not included in other categories	17 528
Manufacture of other vehicles and equipment	16 608
Manufacture of rubber and plastic products	9 852
Manufacture of other finished goods	7 318
Manufacture of finished metal products, except for machinery and equipment	5 564
Manufacture of chemicals and chemical products	2 944
Retail trade, excluding trade in motor vehicles and motorcycles	2 251
Food production	886
Manufacturing of wearing apparel	781
Wholesale and retail trade in motor vehicles and motorcycles and their repair	306
Rent and lease	273
Activities of travel agencies and other organizations providing services in the field of tourism	262
Metallurgical production	218
Information technology activities	193
Healthcare activities	155
Activities in the field of architecture and engineering and technical design; technical testing, research and analysis	110
Other activities	78
<b>Funds of customers other than credit institutions</b>	<b>975 232</b>

#### 6.1.15. Financial liabilities measured at fair value through profit or loss

As of 01.01.2021 and 01.01.2020 the Bank has no financial liabilities measured at fair value through profit or loss

#### 6.1.16. Debt securities issued

As of 01.01.2021 and 01.01.2020, the Bank has no issued debt securities.

#### 6.1.17. Information on other liabilities.

Indicator name	01.01.2021	Change	01.01.2020
<b>Financial liabilities</b>	<b>2 365</b>	<b>1 666</b>	<b>1 666</b>
- settlements on issued bank guarantees	1 386	1 078	1 078
- other liabilities	1	33	33
- unfinished calculations	0	532	532
- other liabilities	978	23	23
<b>Non-financial liabilities</b>	<b>42 476</b>	<b>3 733</b>	<b>3 733</b>
- accrued liabilities for annual paid vacations(short-term and long-term), insurance premiums for long-term liabilities	4 406	3 164	3 164
- calculations for taxes and fees, social insurance	30	569	569
lease obligations	38 040	0	0

Total other liabilities	44 841	5 399	5 399
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Information on other liabilities broken down by terms remaining to maturity.

Other liabilities	01.01.2021	01.01.2020	Change
Poste restante	3 845	23	3 822
Up to 30 days	1 569	565	1 004
From 30 to 180 days	0	569	(569)
From 181 to 365 days	1 386	4 242	(2 856)
Over a year	38 041	0	38 041
Total other liabilities	44 841	5 399	39 442

6.1.17.1. Information on other liabilities by types of currencies.

Indicator name	01.01.2021	Rubles	U.S. dollars	Euro	Other currencies
<b>Financial liabilities</b>	<b>2 365</b>	<b>2019</b>	<b>251</b>	<b>90</b>	<b>5</b>
- settlements on issued bank guarantees	1386	1082	229	75	0
- other liabilities	1	1	0	0	0
- other liabilities	978	936	22	15	5
<b>Non-financial liabilities</b>	<b>42 476</b>	<b>42 476</b>	<b>0</b>	<b>0</b>	<b>0</b>
- accrued liabilities for annual paid vacations(short-term and long-term), insurance premiums for long-term liabilities	4406	4406	0	0	0
- calculations for taxes and fees, social insurance	30	30	0	0	0
lease obligations	38040	38040	0	0	0
Total other liabilities	44 841	44 495	251	90	5

Article title	01.01.2020	Russian Rubles	U.S. dollars	Euro	Other currencies
<b>Financial liabilities</b>	<b>1 666</b>	<b>223</b>	<b>1 029</b>	<b>410</b>	<b>4</b>
- settlements on issued bank guarantees	1078	190	490	398	0
- other liabilities	33	33	0	0	0
- unfinished calculations	532	0	532	0	0
- other liabilities	23	0	7	12	4
<b>Non-financial liabilities</b>	<b>3 733</b>	<b>3 733</b>	<b>0</b>	<b>0</b>	<b>0</b>
- calculations for taxes and fees, social insurance	3164	3 164	0	0	0
- accrued liabilities for annual paid vacations(short-term and long-term), insurance premiums for long-term liabilities	569	569	0	0	0
Total other liabilities	5 399	3 956	1 029	410	4

6.1.18. Contingent liabilities of the Bank.

#### 6.1.18.1. Information on provisions - non-credit provisions

As of 01.01.2021 and 01.01.2020, the Bank does not have a reserve - a non-credit estimated liability.

6.1.18.2. The table below summarizes the Bank's contingent liabilities:

Indicator name	01.01.2021	01.01.2020	Change
Unused lines of credit	148 407	168 919	(20 512)
Issued guarantees	105 107	32 732	72 375
<i>Provision for possible losses on contingent credit commitments</i>	<i>(10 846)</i>	<i>(3 131)</i>	<i>(7 715)</i>
<i>Adjustment of the allowance to the estimated allowance for expected credit losses</i>	<i>(8 187)</i>	<i>(6 616)</i>	<i>(1 571)</i>
<b>Total credit related commitments less allowance for potential losses</b>	<b>242 668</b>	<b>198 520</b>	<b>44 148</b>
<b>Total credit related commitments less estimated allowance for expected credit losses</b>	<b>234 481</b>	<b>191 904</b>	<b>42 577</b>

The main purpose of credit related commitments is to ensure that funds are available to customers when required. The total amount of undrawn loan commitments and guarantees does not necessarily represent future cash requirements as these commitments may expire or be canceled without providing funds to borrowers. Guarantees represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties.

#### 6.1.19. Information on the size and changes in the size of the authorized capital.

The authorized capital of the Bank as of 01.01.2021 and 01.01.2020 is 1,115,267 thousand rubles. There was no change in the amount of the authorized capital during 2020.

There is no share premium as of 01.01.2021 and 01.01.2020.

The reserve fund as of 01/01/2021 is 5,930, as of 01/01/2020 it was 53,280, a decrease occurred by 47,350.

### 6.2. Accompanying information to the Statement of financial results.

#### 6.2.1. Interest income

Article title	Data for 2020	Change	Data for 2019
<b>Interest income, total, including:</b>	<b>213 724</b>	<b>(67 875)</b>	<b>281 599</b>
<i>From placing funds in credit institutions</i>	<i>64 142</i>	<i>(340)</i>	<i>64 482</i>
<i>From loans to customers other than credit institutions</i>	<i>63 732</i>	<i>(19 662)</i>	<i>83 394</i>
<i>From the provision of services for financial</i>	<i>0</i>	<i>0</i>	<i>0</i>



<i>lease(leasing)</i>			
<i>From investments in securities</i>	85 850	(47 873)	133 723

Article name	Data for 2020	Change	Data for 2019
<b>Interest expenses, total, including:</b>	<b>37 376</b>	<b>5 156</b>	<b>32 220</b>
<i>On attracted funds from credit institutions</i>	8 329	(15 148)	23 477
<i>On attracted funds on clients who are not credit institutions</i>	29 047	20 304	8 743

### 6.2.3 Fee and commission income.

Article title	Data for 2020	Change	Data for 2019
<b>Fee and commission income.</b>	<b>12 892</b>	<b>(39)</b>	<b>12 931</b>
Credit institutions and non-resident banks	20	(60)	80
Legal entities and legal entities –non-residents, except for credit institutions and non-resident banks	1 250	127	1 123
Individual entrepreneurs	24	24	0
Credit institutions and non-resident banks	222	222	0
Legal entities and legal entities –non-residents, except for credit institutions and non-resident banks	1 858	(214)	2 072
Individual entrepreneurs	8	8	0
On bank accounts on behalf of credit institutions and non-resident banks	230	(53)	283
On bank accounts on behalf of legal entities and legal entities –non-residents, except for credit institutions and non-resident banks	5 351	(1 207)	6 558
On bank accounts on behalf of individual entrepreneurs	30	11	19
Without opening bank accounts, including electronic money, by citizens(individuals) and individuals-non-residents	2 058	(11)	2 069
With credit institutions and non-resident banks	400	221	179
With legal entities and legal entities –non-residents, except for credit institutions and non-resident banks	1 408	860	548
credit institutions and non-resident banks	33	33	0

### 6.2.4 Commission expenses.

Article title	Data for 2020	Change	Data for 2019
<b>Commission expenses.</b>	<b>4 355</b>	<b>1 105</b>	<b>3 250</b>

<i>Commission expenses on transactions with foreign exchange values</i>	907	394	513
<i>Expenses for opening and maintaining bank accounts</i>	200	(240)	440
<i>Expenses for settlement and cash services</i>	535	(76)	611
<i>Expenses for money transfer services, including services of payment and settlement systems</i>	123	106	17
<i>Expenses on received bank guarantees and sureties</i>	123	34	89
<i>Commission expenses for the provision of intermediary services under brokerage and similar agreements</i>	1 351	1 351	0
<i>Other commission expenses</i>	1 116	(464)	1 580

#### 6.2.5. Information about losses and reversals of impairment losses for each type of asset.

<b>Article title</b>	<b>Data for 2020</b>	<b>Change</b>	<b>Data for 2019</b>
Change in the reserve for possible losses on loans, loan and equivalent debts, funds, placement on accounts, as well as accrued interest income, total, including:	(17 525)	6 625	(24 150)
<i>Change in the allowance for potential losses and the estimated allowance for expected credit losses on accrued interest income</i>	(51)	(208)	157
Change in the reserve for possible losses and estimated allowance for expected credit losses on securities measured at fair value through other comprehensive income	2 054	4 109	(2 055)
<i>Change in provision for possible losses on securities available for sale</i>	0	0	0
Change in the reserve for possible losses and estimated allowance for expected credit losses on securities measured at amortized cost	0	0	0
<i>Change in provision for possible losses on se-</i>	0	0	0

<i>curities held to maturity</i>			
Change in provision on other losses	1 835	5 247	(3 412)

The Bank regularly assesses the available pledged funds for the funds provided and claims arising from transactions with financial instruments. If there are signs of impairment of such claims due to non-fulfillment or improper fulfillment by the borrower of obligations, or the existence of a real threat of such non-fulfillment (improper fulfillment), the Bank creates provisions for the impairment of such assets.

#### 6.2.6. Information on net income from transactions with financial assets.

Article title	Data for 2020	Change	Data for 2019
Net income from transactions with securities measured at fair value through other comprehensive income	45 556	44 019	1 537

#### 6.2.7. Information on net income from foreign exchange transactions.

Article title	Data for 2020	Change	Data for 2019
Net income from foreign exchange transactions	22 432	(5 541)	27 973
Net income from foreign currency revaluation	9 879	22 203	(12 324)
Net profit/loss on foreign exchange transactions	32 311	16 662	15 649

#### 6.2.8. Information about the main components of tax expense(income)

Indicator name	Data for 2020	Change	Data for 2019
Taxes and fees attributable to expenses in accordance with the legislation of Russian Federation			
Including:			
- VAT, paid for goods and services	5 892	(413)	6 305
- Transport tax	21	0	21
- State duty	20	18	2
<b>Total</b>	<b>5 933</b>	<b>(395)</b>	<b>6 328</b>
Income tax, including:			
- Income tax taxed at the rate of 20%	11 133	(47 335)	58 468
- Income tax on government securities taxed at the rate of 15%	10 426	1 139	9 287



- <i>Deferred tax liability/</i>			
<i>(deferred tax asset)</i>	(1 861)	(27 639)	25 778
<b>Total</b>	<b>19 698</b>	<b>(73 835)</b>	<b>93 533</b>
<b>Total tax expense</b>	<b>25 631</b>	<b>(74 230)</b>	<b>99 861</b>

Bank of Russia Regulation № 409-P dated November 25, 2013 "On the Procedure for Accounting for Deferred Tax Liabilities and Deferred Tax Assets" (hereinafter referred to as Regulation 409-P) defines, in particular, the procedure for calculating temporary differences, which can be of two types:

- taxable, resulting in the formation of deferred income tax, which should increase the amount of income tax payable to the budget system of the Russian Federation in future reporting periods;
- deductible, resulting in the formation of deferred income tax, which should reduce the amount of income tax payable to the budgetary system of the Russian Federation in future reporting periods.

In sections 1.5-1.6. provisions 409-P provide definitions of deferred tax assets and liabilities.

Deferred tax liability means the amount of income tax payable to the budgetary system of the Russian Federation in future reporting periods in respect of taxable temporary differences.

Deferred tax asset means the amount of income tax recoverable in future reporting periods in relation to:

- deductible temporary differences;
- losses carried forward not used to reduce income tax.

In section 1.8. provisions 409-P deferred tax liabilities are reflected in passive balance sheet account № 61701 "Deferred tax liability", deferred tax assets - on active balance sheet accounts № 61702 "Deferred tax asset for deductible temporary differences" and № 61703 "Deferred tax asset for transferred future losses".

#### 6.2.9. Information on the amount of expenses for payment of benefits to employees

The total amount of remuneration paid and included in the "Operating expenses" line of the income statement is presented as follows:

Indicator name	Data for 2020	Change	Data for 2019
Employee benefits	64 194	7 838	56 356
Taxes and fees	11 232	3 049	8 183
List of personnel(people)	33	3	30

Employee benefits include short-term employee benefits (including compensation and incentive payments) and termination benefits (termination benefits).

Below is information regarding members of the Bank's executive bodies and other employees performing risk-taking functions:

Name	Data for 2020		Data for 2019	
	Executive committee	Risk-bearing employees	Executive committee	Risk-bearing employees
Number(people)	4	3	4	3
Short-term employee benefits	18 199	5 502	17 295	2 616
Personal Income Tax	2 365	715	927	778

#### 6.2.10. Income and expenses for the settlement of litigation (income in case of positive decisions, expenses in case of negative decisions)

During 2020 and 2019, the Bank did not participate in litigation with legal entities and individuals.

#### 6.2.11. Information on the amount of the total comprehensive income of the Bank

Article title	Data for 2020	Change	Data for 2019
<b>Profit(loss) for the reporting period</b>	<b>91 533</b>	<b>(27 063)</b>	<b>118 596</b>
Items that may be reclassified to profit or loss , total, including:	(35 498)	(352 358)	316 860
<i>Change in the revaluation reserve for financial assets measured at fair value through other comprehensive income</i>	<i>(35 498)</i>	<i>(352 358)</i>	<i>316 860</i>
Income tax related to items that can be reclassified to profit or loss	(6 678)	(70 050)	63 372
Other comprehensive income(loss) that can be reclassified to profit or loss , net of income tax	(28 820)	(282 308)	253 488
Other comprehensive income(loss), net of income tax	(28 820)	(282 308)	253 488
<b>Financial result for the reporting period</b>	<b>62 713</b>	<b>(309 371)</b>	<b>372 084</b>

The change in the "Retained earnings" line in the table above is made up of the profit received at the end of 2020.

For 2020 and 2019, dividends were not calculated or paid

#### 6.3. Information to the Statement of Changes in Equity.

Changes in equity for the reporting period were due to profit received for 2020, revaluation adjustments for securities measured at fair value through other comprehensive income, an in-

crease in the reserve fund, recovery of estimated reserves for expected credit losses and profit carry-over for 2019.

Name of articles	Book value of capital instruments as of 01.01.2021	Total comprehensive income of the Bank for 2020	Book value of capital instruments as of 01.01.2020
Shareholders' funds	1 115 267	0	1 115 267
Reserve fund	5 930	5 930	0
Revaluation of securities measured at fair value through other comprehensive income	26 574	(26 706)	53 280
Estimated allowance for expected credit losses	0	(2 114)	2 114
Undistributed profits	1 144 972	85 603	1 059 369
<b>Total</b>	<b>2 292 743</b>	<b>62 713</b>	<b>2 230 030</b>

#### 6.4. Information to the Cash Flow Statement.

Information on the results of reconciliation of the amounts in the statement of cash flows with similar items in the balance sheet for cash and cash equivalents

Article title	Cash flow statement data for 2020	Balance sheet data as of 01.01.2021
Cash	18 172	18 172
Funds of a credit institution with the Central Bank of the Russian Federation, including:	78 583	78 583
<i>Required reserves</i>	(15 013)	(15 013)
Funds in credit institutions	37 604	37 610
<b>Cash and cash equivalents as of 01.01.2020</b>	<b>119 346</b>	<b>119 352</b>
Cash	12 415	12 415
Funds of a credit institution with the Central Bank of the Russian Federation, including:	309 728	309 728
<i>Required reserves</i>	(278 092)	(278 092)
Funds in credit institutions	909 387	910 297
<b>Cash and cash equivalents as of 01.01.2021</b>	<b>953 438</b>	<b>954 348</b>

The composition of cash and cash equivalents in the statement of cash flows excludes the required reserves with the Central Bank of the Russian Federation and assets for which there is a risk of loss.

Information about significant investment and financial transactions that do not require the use of cash.



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During 2020 and 2019, the Bank did not carry out investment and financial transactions that did not require the use of funds.

## **7. Quantitative and qualitative information on the objectives and policies of risk management associated with financial instruments. Information about money management.**

### **7.1. Information about the structure of own funds (capital).**

Implementation of the Bank's ICAAP includes calculating the capital required to cover all banking risks, checking the functioning of risk management mechanisms, assessing the adequacy and effectiveness of the ICAAP's internal control system, etc.

The Bank operates a system for managing its own funds (capital).

In order to determine the amount of capital required to cover claims in relation to each of the risks significant for the Bank, the Bank determines:

- risks for which capital requirements will be determined by quantitative methods. The quantitative capital requirements are determined by the Bank for credit, market, operational risks;

- risks for which the capital requirement will not be determined by quantitative methods. At the same time, the coverage of possible losses from their implementation will be carried out by allocating a certain amount of capital to cover them, and risks will be limited by other methods (by setting limits).

With regard to significant financial risks, the current capital requirement or the total (total) amount of capital required by the Bank is determined using two methods: *the basic approach method and the balance approach method*, taking into account the comprehensive stress testing of the Bank's financial indicators.

According to the baseline approach, the total amount of capital required by the Bank in relation to banking risks is determined using the principle of proportionality by multiplying the Bank's quantitative Risk Appetite by the average capital value over the last 12 months. According to the calculated data, the total amount of required capital as of 01.01.2021 using the basic method amounted to 682 616.47 thousand rubles, which is 299 627.37 thousand rubles, less than the planned (target) level of the Bank's capital, planned in the Bank's Development Strategy, and by 1,610,265.30 thousand rubles, less than the internal capital of the Bank.

According to the balance sheet approach, the calculation is based on the aggregate uncovered risk for groups of assets, defined as the product of the value of the corresponding asset<sup>1</sup> and the risk coefficient reflecting the likelihood of economic losses (accumulated and expected) for the corresponding types of transactions. The Bank determines the following risk ratios for each balance sheet item used in the calculation: for each asset item, the average risk level is calculated, equal to the ratio of the total uncovered risk to the indicator of income-generating assets (IGA) or non-income-generating assets (NIGA) (depending on the classification of balance sheet assets as income-generating or non-income generating).

<sup>1</sup> Calculated as the average over the past 5 years

The total amount of required capital using the balance sheet method taking into account stress testing as of 01.01.2021 amounted to 1,225,765.27 thousand rubles, which is 243,521.43 thousand rubles more than planned in the Bank's Development Strategy, and by 1,066,977.73 thousand rubles. less than the internal capital of the Bank.

In order to assess the capital adequacy, the Bank has established a procedure for correlating the current capital requirements of the Bank (the largest indicator is selected from the calculated ones using the balance sheet and basic methods) and the amount of internal capital available to it that is available to it.

The Bank's own funds as of the analyzed date are considered *sufficient* if:

- the indicator of the current capital requirement of the Bank is less than the value of equity (capital) as of the analyzed date;
- during the monitoring process, there was an excess of the Bank's own funds (capital).

The Bank's own funds as of the analyzed date are considered *insufficient* if:

- the indicator of the current capital requirement of the Bank is greater than the value of equity (capital) as of the analyzed date;
- during the monitoring process, there was a deficit of the Bank's own funds (capital).

The current capital requirement of the Bank, taking into account stress testing as of 01.01.2021, amounted to 1,225,765.27 thousand rubles. Thus, the Bank's capital fully covers the overall current risk of the Bank.

These procedures will allow the Bank to control the levels of banking risks, capital adequacy, as well as compliance with mandatory standards.

As of 01.01.2021 there were no violations of indicative limits in relation to capital allocation and approximations to the signal values, capital redistribution is not required, the Bank's equity (capital) of the year was recognized as *sufficient*.

The objectives of capital adequacy management are:

- ensuring capital adequacy to cover significant risks;
- ensuring the financial stability of the Bank, minimizing possible financial losses from the impact of the risks assumed by the Bank in accordance with the Bank's Development Strategy;
- compliance with the requirements of the state bodies of the Russian Federation that regulate the Bank's activities;
- adherence to international standards and best practices in the field of banking / financial regulation.

The main objectives of the capital adequacy management system are:

- identification and assessment of the materiality of types of banking risks;
- setting limits and restrictions on significant risks;



- compliance with the mandatory ratios and restrictions established by the Bank of Russia;
- capital planning based on the results of a comprehensive assessment of significant risks, stress testing of the Bank's stability in relation to internal and external risk factors, benchmarks of the Bank's Business Development Strategy, and the Bank of Russia requirements for capital adequacy;
- ensuring a unified understanding of planning, taking into account the level of accepted risk;
- informing the management of the Bank, collegial bodies and subdivisions performing functions related to the acceptance and management of risks about significant risks and capital adequacy.

When determining the planned (target) capital level, the planned capital structure, the planned (target) level of capital adequacy, the Bank proceeds from the assessment of the current capital requirement required to cover significant risks, and also takes into account the possible need to attract additional capital and the available sources of its attraction for coverage of significant risks, taking into account the guidelines for business development, planned (target) risk levels and the target structure of the Bank's risks established by the Bank's Development Strategy.

The composition of the sources of the capital at the Bank's disposal, in addition to the sources included in the calculation of the total amount of equity funds (capital), established by Bank of Russia Regulation № 646-P dated 04.07.2018 "On the Methodology for Determining the Amount of Equity Funds (Capital) of Credit Institutions ("Basel III") (hereinafter - Regulation № 646-P), other sources may also be included, such as unrealized income (adjusted for unrealized expenses) in terms of assets (liabilities) reflected in accounting not at fair value, planned income. Moreover, such sources should be available to cover losses from the realization of risks.

In order to control the adequacy of its own funds (capital), the Bank establishes procedures for the allocation of capital through a system of limits by areas, types of significant risks (in particular, credit, market) and divisions performing functions related to risk taking (divisions providing lending to corporate and retail clients in terms of credit risk, treasury and other divisions engaged in transactions with securities, foreign exchange and derivative financial instruments in terms of market and interest rate risks).

According to the monitoring of capital allocation limits in 2020, there were no violations of capital allocation limits by business areas and divisions of the Bank (deviations were within the acceptable margin of error). The individual actual ROE of the divisions was higher than planned, namely, as of 01.01.2021 on lending operations - 19.83%, on foreign exchange and securities operations - 7.69%. There was no need for capital redistribution in 2020.

The total sources of the Bank's own funds according to the data of form 0409806 as of January 1, 2021 amounted to 2,292,743 thousand rubles. The Bank maintains the level of adequacy of its own funds (capital) at a level that corresponds to the nature and volume of operations carried out by the Bank.

The table below shows the regulatory capital based on the Bank's reports prepared in accordance with the requirements of Russian legislation, namely, with the requirements of the Bank of Russia Regulation № 646-P dated 04.07.2018 "On the Methodology for Determining the Amount of Equity (Capital) of Credit Institutions ("Basel III") according to the data of the published form 0409808:



Date	Capital size, in thousand rubles	Increase/decrease, in thousand rubles	Increase/decrease, in %
01.01.2020	2 110 169	283 865 (за 2019 г.)	15.54
01.01.2021	2 155 904	45 735 (за 2020 г.)	2.17

The Bank's equity (capital) adequacy ratio (N1.0) as of 01.01.2021 according to Form 0409813 amounted to 46.491%, with the minimum allowable value, taking into account the prudential requirements of the Bank of Russia and the Bank's internal documents, 12%, which testifies to the stable state of the Bank against the background of unfavorable external environment. Economic standards N1.1, N1.2 and N1.0 established by Bank of Russia Instruction No. 199-I dated November 29, 2019 "On mandatory ratios and surcharges to capital adequacy ratios for banks with a universal license" (hereinafter referred to as Instruction No. 199-I), during 2020 were carried out, which is reflected in the form 0409813 published by the Bank and in the following table:

Indicator name	Normative value	Actual value as of 01.01.2021	Actual value as of 01.01.2020
	in %		
Base capital adequacy ratio of the Bank(N1.1)	> 4.50	44.571	67.711
Fixed capital adequacy ratio of the Bank (N1.2)	> 6.00	44.571	67.711
Own funds(capital) adequacy ratio of the Bank (N1.0)	> 8.00	46.491	71.600

There are no innovative, complex or hybrid capital instruments of the Bank.

## 7.2. Information about the risk management system.

### Organization of the risk management system, key performance indicators of the Bank.

The Bank has formed an effective risk management system, the work of which is based on the following principles:

- proportionality and unity of methodological approaches to risk management,
- awareness and involvement in risk management,
- documentary regulation of operations related to risk,
- independence of the risk management division,
- multistage risk level control,
- improving the risk management system,
- risk management,
- automation of risk management,
- multi-level limitation of accepted risks,
- forward-looking risk management,
- compliance with the requirements of the Bank of Russia for risk management and capital adequacy of the Bank,
- sufficiency, completeness and timeliness of reporting
- an integrated approach to risk and capital adequacy management,

- systematic approach to risk and capital adequacy management.

The purpose of banking risk management is:

- ensuring/maintaining an acceptable level of risks within the Risk Appetite and/or other limits and restrictions;
- ensuring capital adequacy to cover significant risks;
- ensuring the financial stability of the Bank, minimizing possible financial losses from the impact of the risks assumed by the Bank in accordance with the Bank's Development Strategy;
- compliance with the requirements of the state bodies of the Russian Federation regulating the Bank's activities;
- adherence to international standards and best practices in the field of banking/financial regulation.

The main tasks of the banking risk management system are:

- identification and assessment of materiality of types of banking risks;
- assessment, aggregation and forecasting of the level of significant risks;
- setting limits and restrictions on significant risks;
- monitoring and control over the volumes of accepted risk, implementation of measures to reduce the level of accepted risk of the Bank in order to maintain it within the established external and internal restrictions;
- compliance with the mandatory ratios and restrictions established by the Bank of Russia;
- ensuring efficient allocation of resources to optimize the ratio of risk and profitability of the Bank;
- capital planning based on the results of a comprehensive assessment of significant risks, stress testing of the Bank's stability in relation to internal and external risk factors, benchmarks of the Bank's Business Development Strategy, Bank of Russia requirements for capital adequacy;
- ensuring a unified understanding of planning, taking into account the level of accepted risk;
- informing the management of the Bank, collegial bodies and subdivisions performing functions related to the acceptance and management of risks about significant risks and capital adequacy.

In order to develop ICAAP, decisions on the choice of methods and procedures for risk and capital management are taken by the Bank independently, based on the principle of proportionality, which states that credit institutions whose activities are not related to the implementation of complex transactions can use simpler methods and procedures for capital management and risks.



In accordance with the recommendations of the Basel Committee, the Bank determines the following approaches applied to the assessment of various types of risks when calculating capital adequacy:

Risk type	Calculation method
Credit risk	A standardized approach
Market risk	A standardized approach
Operational risk	Basic indicative approach

The priority areas of the Bank's activities are comprehensive servicing of clients of small and medium-sized businesses, corporate clients and operations with securities. As part of the service, the Bank offers settlement services, loan products, bank guarantees, including in favor of customs authorities, support of foreign economic activities of legal entities.

The structure of the risk and capital management bodies of the Bank:

- General meeting of participants;
- Board of directors;
- President;
- Executive committee;
- Financial committee;
- Credit committee;
- Lending department;
- Risk management service;
- Internal audit service;
- Internal control service;
- Responsible person for AML/SFT;
- Heads of the Bank's divisions.

The functions of the risk and capital management bodies are implemented through a system of powers and decision-making, which is designed to ensure the proper functioning of the risk and capital management system of the Bank, giving it the required flexibility combined with stability at each management level.

In the field of internal procedures for assessing capital adequacy (hereinafter - ICAAP), the Bank has developed the following internal documents:

- Risk and capital management strategy of the Bank
- Methodology for determining the materiality of banking risks in the Bank;
- Regulation on the assessment of the aggregate risk in the Bank;
- Regulation on the assessment of the adequacy of own funds (capital) in the Bank;
- Regulations on the assessment of the results of the Bank's ICAAP implementation;
- The procedure for establishing and revising limits, signal values in the area of ICAAP in the Bank;
- Regulation on the assessment of risks for the owners of the Bank;
- Policy on management of operational risk in the Bank;



- Policy on liquidity risk management in the Bank;
- Policy on credit risk management in the Bank;
- Concentration risk management policy in the Bank;
- Policy on interest rate risk management in the Bank;
- Policy on currency risk management in the Bank;
- Policy on management of stock and commodity risks in the Bank;
- Policy on market risk management in the Bank;
- Policy on country risk management in the Bank;
- Policy on managing the risk of loss of business reputation in the Bank;
- Policy on legal risk management in the Bank;
- Policy on strategic risk management in the Bank;
- Regulation on stress testing at the Bank;
- Methodology for analyzing liquidity risk in the Bank;
- Methodology for analyzing credit risk in the Bank;
- Methodology for analyzing concentration risk in the Bank;
- Methodology for analyzing interest rate risk in the Bank;
- Methodology for analyzing currency risk in the Bank;
- Methodology for analyzing stock and commodity risks in the Bank;
- Methodology for analyzing market risk in the Bank;
- Methodology for analysis of country risk in the Bank;
- Methodology for analyzing the risk of loss of business reputation in the Bank;
- Methodology for the analysis of legal risk in the Bank;
- Methodology for the analysis of strategic risk in the Bank;
- Methodology for analyzing operational risk in the Bank;
- Instructions for maintaining analytical databases of the implementation of operational risks in the Bank;
- other internal documents of the Bank regulating the ICAAP system, including banking risk management system.

Determination of the significance (materiality) of banking risks, risk appetite of the Bank.

Risk appetite is determined by the Bank's Risk and Capital Management Strategy at the Bank's level in the context of the Bank's activities. Risk appetite is defined as a combination of quantitative and qualitative indicators.

The quantitative indicators include the following indicators characterizing certain types of significant risks:

- the ratio of the volume of provisions for possible losses required to the formation of reserves to risk-weighted credit requirements;
- volumes of provisions for possible losses in the context of portfolios of credit requirements;
- levels of probability of default and losses in relation to classes (segments) of credit claims;
- for interest rate risk - the sensitivity of the interest margin to fluctuations in market rates, the cost of capital to fluctuations in market rates;
- for market risk - the amount of capital required to cover losses from changes in the value of financial instruments;
- for liquidity risk - the maximum gap between assets and liabilities for different call and maturity periods, both up to one year and more than one year, limits on the Bank's dependence on the

funds of one legal entity or individual (hereinafter referred to as the counterparty) or on raising funds when placing one product;

- concentration risk - an indicator of the risk of concentration on the largest borrowers (the ratio of the volume of the Bank's claims on the largest borrowers to the total loan portfolio, to five or ten largest borrowers), an indicator of the risk of concentration on borrowers by type of economic activity or on investments in securities of issuers by type economic activity;
- statistical indicators characterizing the degree of diversification of the portfolios of a credit institution - the Herfindahl-Hirschman Index (HHI).

Qualitative indicators include:

- risk assessment and compliance with the established risk appetite when deciding to enter new markets, to carry out new operations (to introduce new products);
- assessment of the ratio of risk and profitability when making management decisions.

In 2020, the Bank recognized the following risks as significant: liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal risk, risk of loss of business reputation and concentration risk.

Based on the risk appetite indicators, the Bank determines the planned (target) capital level, the planned capital structure, sources of its formation, the planned (target) capital adequacy level, as well as the planned (target) risk levels and the target risk structure of the Bank.

The Bank has a system of limits and restrictions, which makes it possible to ensure an acceptable level of risks - the Bank's risk appetite. The Board of Directors and other executive bodies of the Bank periodically monitor the ICAAP system and its effectiveness by studying the submitted reports, as well as internal audit of ICAAP procedures in accordance with the terms established by the Bank's internal documents.

ICAAP reporting is formed by the Risk Management Service. Reports on the results of the ICAAP implementation are submitted to the Board of Directors and executive bodies of the Bank on an annual basis. Reports on the results of stress testing are submitted to the Board of Directors and executive bodies of the Bank on an annual basis.

Internal reporting to the head of the Risk Management Service, heads of divisions and members of the Bank's committees, whose competence includes risk management, is carried out in the following order:

- reports on significant risks in terms of information on the volumes of risks assumed by the Bank's structural divisions, the use (violation) of the established limits, as well as reports on the amount of capital, on the results of capital adequacy assessment, on the fulfillment of mandatory ratios, are submitted to the Bank on a daily basis;
- reports on significant risks in terms of information on the aggregated volume of significant risks accepted by the Bank, at least once a month.

ICAAP reporting includes, but is not limited to, the following information:



- on the aggregate amount of risks accepted by the Bank, as well as on the accepted amounts of each type of risk significant for the Bank;
- on the levels of significant risks assumed by the Bank;
- on the use of the approved limits of risks and capital adequacy of the Bank;
- on the facts of violation by the Bank's subdivisions of the established limits, as well as measures taken to resolve the identified violations;
- on the fulfillment of mandatory standards;
- about the results of stress testing;
- on the current internal assessment of capital adequacy;
- on the results of self-assessments of banking risks;
- on the results of forecasting the financial performance of the Bank;
- on the results of the ICAAP implementation.

#### Financial performance of the Bank.

As of 01.01.2021, according to the data of Form 0409806, the value of the Bank's assets amounted to 8194293 thousand rubles, as of January 1, 2020 - 3369433 thousand rubles, the growth of the Bank's assets is due to an increase in:

- the Bank's funds with the Central Bank of the Russian Federation from 78579 thousand rubles up to 309728 thousand rubles (growth amounted to 231,149 thousand rubles);
- funds placed with credit institutions, from 37608 thousand rubles up to 909387 thousand rubles (growth amounted to 871,779 thousand rubles);
- net loans at fair value through profit or loss, from RUB 2,106,271 thousand up to 4498322 thousand rubles (growth amounted to 2,392,051 thousand rubles);
- net investments in financial assets at fair value through other comprehensive income, from RUB 947394 thousand up to 2,289,015 thousand rubles (growth amounted to 1,341,621 thousand rubles).

#### **Information on claims (liabilities), weighted by the level of risk, and on the minimum amount capital required to cover risks**

Number	Indicator name	Risk-weighted claims(liabilities)		Minimum capital required to cover risks
		Data as of the reporting date	Data at the previous reporting date	Data as of the reporting date
1	Credit risk(excluding counterparty credit risk), total, including:	1 639 674	971 684	131 174
2	Using a standardized approach	1 639 674	971 684	131 174
3	When using the basic IRR	X	X	X
4	When applying an approach based on risk weighting for requirements for specialized lending and investments in equity participation (IRR)	0	0	0
5	When using advanced IRR	0	0	0



6	Counterparty credit risk, total, including:	X	X	X
7	When using a standardized approach	0	0	0
8	When applying the method based on internal models	0	0	0
9	When using other approaches	0	0	0
10	Risk of changes in the cost of credit claims as a result of deterioration in the credit quality of the counterparty under OTC derivatives transactions	0	0	0
11	Investments in equity securities (shares, units in mutual funds) and shares in the authorized capital of legal entities that are not included in the trading portfolio, using a simplified approach based on risk weighting in IRR	X	X	X
12	Investments in shares, shares of investment and other funds-an end-to-end approach	0	0	0
13	Investments in shares, shares of investment and other funds- mandated approach	X	X	X
14	Investments in stocks, shares of investment and other funds-a reserve approach	X	X	X
15	Settlement risk	0	0	0
16	Securitization risk(excluding trading portfolio securitization risk), total, including:	0	0	0
17	When applying IRR based on ratings	X	X	X
18	When applying the approach based on the ratings of credit rating agencies, including the approach based on internal assessments	X	X	X
19	Using a standardized approach	0	0	0
20	Market risk, total, including:	2 362 876	3 520 319	189 030
21	Using a standardized approach	2 362 876	3 520 319	189 030
22	When applying the method based on internal models	X	X	X
23	Equity adjustment due to the transfer of securities from a trading portfolio to a non-trading portfolio	0	0	0
24	Operational risk	638 325	638 325	51 066
25	Assets(claims) below the materiality threshold for deduction from equity(capital), weighted with a coefficient of 250 percent	0	0	0
26	The minimum amount of adjustment for the maximum amount of credit and operational risk deduction when applying IRR	X	X	X
27	Total	4 640 875	5 130 328	371 270

During 2020, the Bank's market risk increased threefold, or by RUB 1,770,762 thousand. This growth was due to an increase in the Bank's investments in debt obligations of the Ministry of the Russian Federation.

#### Limits

One of the tools of the Bank's Risk and Capital Management Strategy is the system of limits, which is designed to establish certain restrictions on the Bank's acceptance of excessive risks.

The objectives of the system of limits are recognized as "physical" limitation of the Bank's acceptance of excessive risks and prevention of the "spill-over" of negative problems of one of the types of activities of the Bank to the entire Bank. The main task of the system of limits is to ensure the formation of the structure of the Bank's assets and liabilities, adequate to the nature and scale of the Bank's activities.

The system of limits in the Bank has a multilevel structure:

- the total limit for the Bank (the level of aggregate risk) is set based on the Risk Appetite, defined in the Banking Risk and Capital Management Strategy;
- limits by types of risks material (significant) for the Bank (Risk appetite);
- limits for the Bank's divisions responsible for taking risks material to the Bank (areas of activity);
- limits for the distribution of the Bank's own funds (capital) by types of significant (significant) risks;
- limits for individual borrowers (counterparties);
- limits on securities portfolio instruments;
- other limits.

The Bank uses the following types of limits in the area of ICCAP:

- strict - "hard" limits, violation of which (approaching the signal value) leads to the termination of operations;
- indicative - "non-rigid" limits, signaling the achievement of a certain level of risk that requires consideration and decision-making on further directions of development;
- signal limits or signal values of limits - "soft" limits, called upon to pay attention to the acceptable, but approaching the critical value of the risk indicator.

With regard to the management of limits, the latter are divided into:

- regulated limits, at which the limited risk indicator is manageable, i.e. can, if necessary, be brought to the required level (as, for example, an open foreign exchange position can be closed by conducting new operations);
- conditionally constant limits, according to which the limited indicator has a stable medium-term nature, and it is practically impossible to change the position that reduces the risk (such as, for example, using the credit limit - in a constant volume for the life of the loan);
- multi-factor limits, according to which the value of the risk indicator is formed under the influence of many factors, incl. external to the controlled process (as, for example, a limit on a share in a portfolio may be violated as a result of a decrease in position in another segment).

By form, the limits are subdivided into:

- positional - the simplest, classic - direct restrictions on the position volume;
- capital limits - restrictions on the amount of capital required by the type of risk / division / line of business;
- structural limits limiting the share of a certain segment in the total amount of risk - for example, industry limits in the loan portfolio;



- limits on the level of banking risk - restrictions on the value of the corresponding indicators of banking risk;
- stop-loss and take profit limits - restrictions for operations in order to comply with the Bank's mandatory ratios;
- authority limits limiting the amount of accepted risks by employees / departments both by the size of the portfolio / position and by the nature of the instruments;
- other limits.

All limits on banking risks are set taking into account the regulatory requirements of the Bank of Russia and are revised at least once a year. Changes in specific limits and signal values can be initiated by the heads of the relevant departments of the Bank, RMS, and the Executive Committee of the Bank. In limiting the risk, the leading role is assigned to the observance of the mandatory ratios determined by the Instruction of the Bank of Russia № 180-I.

Failure to comply with the established mandatory ratios by the Bank is not allowed.

Stages of the process of setting the Bank's risk limits:

- initiation of the issue of establishing limits for the Bank's risks;
- preliminary determination of the size of the Bank's risk limits;
- submission of the issue of setting the Bank's risk limits for consideration by the Executive Committee of the Bank; making decisions on the issue of setting limits for banking risks by the Executive Committee of the Bank and developing appropriate recommendations to the Board of Directors of the Bank;
- submission of the issue of setting the Bank's risk limits for consideration by the Board of Directors of the Bank; decision-making by the Board of Directors on the issue of setting the Bank's risk limits;
- bringing information on the decision taken on the issue of setting the Bank's risk limits to the interested structural divisions and (or) officials of the Bank.

The Board of Directors and other executive bodies of the Bank periodically monitor the ICAAP system, incl. with regard to the establishment and revision of limits and signal values in the area of ICAAP, its effectiveness by studying the submitted reports, as well as internal audit of ICAAP procedures. Internal audit of the procedure for establishing and revising limits and signal values in the ICAAP area is carried out by IAS in the form of scheduled inspections at least once a year according to the schedule approved by the Board of Directors or in the form of an unscheduled inspection if signs of violation of ICAAP requirements are detected.

Compliance with risk limits and signal values of the Bank is monitored at two levels:

- constant monitoring of compliance with risk limits directly by the Bank's structural subdivisions carrying out operations that carry risks (both at the stage of making a decision to carry out operations (transactions) and at the stage of monitoring the levels of accepted risks by comparing the volume of approved risks with the established limits);
- monthly monitoring of compliance with the limits by the risk analysis department of the Bank.

The results of limit control are included by the RMS in the Bank's ICAAP reporting.



Informing the management bodies of the Bank about compliance (non-compliance) with the Bank's risk limits is carried out in the form of formation and consideration of RMS reports on compliance (non-compliance) with the Bank's risk limits and is carried out in accordance with the procedure established for each type of risk limit separately.

In case of revealing the fact of non-compliance (violation) of the Bank's risk limit in real time, the head of the relevant structural unit of the Bank takes all possible measures necessary to eliminate non-compliance (violation) of the Bank's risk limit. If it is impossible to eliminate non-compliance (violation) of the Bank's risk limit, the head of the relevant structural unit of the Bank brings this fact to the attention of the Bank's RMS. The RMS of the Bank identifies the reasons for violation of the Bank's risk limit and determines the degree of impact of the fact of violation of the Bank's risk limit on the financial condition of the Bank and compliance with the mandatory ratios established by the Bank of Russia. This information is brought to the attention of the Bank's management in order to develop solutions to eliminate non-compliance (violation) of the Bank's risk limit.

### **Stress testing**

Stress testing is an assessment of the potential impact on the financial condition of the Bank of a number of specified (scenario) changes in risk factors that correspond to exceptional but probable events.

#### The Bank's ICAAP assumes a wide range of stress testing tasks:

- stress testing of certain types of risks (individual stress testing) within the framework of management systems for the corresponding types of risks, which are subsystems of ICAAP;
- comprehensive (aggregated) stress testing of several types of risks with an assessment of the liquidity risk state (stress testing of liquidity risk) within the framework of the liquidity management system, which is a subsystem of the ICAAP;
- comprehensive stress testing of several types of risks with an assessment of the Bank's equity (capital) adequacy as one of the main elements for assessing capital adequacy;
- reverse stress testing of the Bank's equity (capital) adequacy.

#### The main goals and objectives of stress testing include:

- assessment of the size of each type of risk material for the Bank (the impact of fluctuations in all significant (significant) banking risks on the Bank's assets);
- assessment of risks obtained using internal models used by the Bank;
- assessment of the ability of the Bank's capital to compensate for possible large losses;
- assessment of the Bank's overall need for capital, as well as determination of a set of actions to be taken by the Bank to reduce the level of risks and preserve capital;
- assessment of the stability of the portfolio of financial assets of the Bank, the Bank as a financial institution and the financial system as a whole to significant changes of a macroeconomic nature;
- optimization of the risk management system and the structure of intra bank limits;
- compliance of the risk management system and the financial management system of the Bank with the requirements and recommendations of the Bank of Russia.

As part of the ICAAP and BCBS recommendations, the Bank adheres to, but is not limited to, the following core stress testing principles:

- stress testing should be effective and be part of the corporate governance and risk management system of the Bank;
- the results of stress testing should be considered when making management decisions;
- stress testing procedures should be properly documented;
- stress testing scenarios must be agreed with the business units and accepted by the Bank's management;
- scenarios for stress testing should reflect a set of factors that can lead to extreme losses or profits on trading portfolios or extremely difficult to control the risks of these portfolios (such factors include unlikely events in the context of all major types of risk, including the main elements of market, credit, operational risk and concentration risk);
- stress testing should be carried out both according to quantitative and qualitative scenarios, taking into account both market risk and changes in liquidity during periods of market instability; quantitative scenarios should identify plausible crisis scenarios to which the Bank may be exposed; The qualitative scenarios reflect the fact that the two main objectives of stress testing are to assess the Bank's capital adequacy to cover potential significant losses and to identify measures that can be taken to mitigate risk and preserve capital.
- when conducting stress testing, it is necessary to combine scenarios prescribed by the supervisor with scenarios developed by the Bank itself in order to take into account the specific features of the business and the risk profile;
- integral, aggregated and reverse stress testing should be carried out;
- stress testing should be applied in addition to other risk management tools;
- approaches to stress testing and stress scenarios should be reviewed regularly (at least once a year).

The procedure and terms of stress testing are applied by the Bank to achieve the goals and objectives of stress testing for the near future and are defined in the Bank's internal documents in the area of ICAAP.

#### ICAAP stress testing procedures.

Risk	Reporting title	Internal document describing stress testing procedures	Applied methods	Executive committee	Board of Directors
				Terms of provision	
Banking risks	Report on stress testing of banking risks and financial performance of the Bank	Regulation on stress testing at the Bank	Modeling method (scenario analysis) based on historical and hypothetical events, sensitivity analysis	at least once a year	
Liquidity risk	Stress testing of liquidity risk in the Bank	Methodology for analyzing liquidity risk in the Bank	Scenario delta-normal VaR estimation method	at least once a year	



Credit risk	Stress testing of the Bank's credit risk indicators	Methodology for analyzing credit risk in the Bank	Method of modeling(scenario analysis) of the magnitude of credit risks	at least once a year
Concentration risk	Stress testing of the Bank's concentration risk indicators	Methodology for analyzing concentration risk in the Bank	Method of modeling(scenario analysis) of the concentration risk value	at least once a year
Operational risk	Stress testing of the level of operational risk in the Bank	Methodology for analyzing operational risk in the Bank	Modeling method(scenario analysis) of the magnitude of operational risk	at least once a year
Legal risk	Stress testing of the level of legal risk in the Bank	Methodology for analyzing legal risk in the Bank	Method of modeling(scenario analysis) of the level of legal risk	at least twice a year
Market risk	Stress testing of the Bank's market risk level	Market risk analysis methodology in the Bank	Method of modeling(scenario analysis) of the value of market risk(coefficient of estimated market risk) and sensitivity analysis	at least once a year
Interest rate risk	Analysis of interest rate risk in the Bank	Methodology for analyzing interest rate risk in the Bank	Sensitivity analysis relative to the calculated gap	at least four times a year
Currency risk	Currency risk analysis	Methodology for analyzing currency risk in the Bank	Scenario analysis relative to the official ruble exchange rate	at least four times a year
Capital adequacy	Stress testing of the Bank's equity(capital) adequacy	Regulations on the assessment of the adequacy of the Bank's own funds(capital)	Analysis of the sensitivity of factors in relation to the calculated amount of equity(capital), ratios for the adequacy of equity(capital), as well as mandatory ratios, in the calculation of which the Bank's capital is involved.	at least once a year

Complex stress testing scenarios are approved by the Board of Directors of the Bank at least once a year. The main methods of complex (aggregated) stress testing in the Bank are scenario analysis (based on historical and / or hypothetical events), as well as sensitivity analysis, which



allows covering all types of risks inherent in the Bank and the main risk factors to which the Bank may be exposed. Scenario analysis allows assessing the potential consequences of the simultaneous impact of a number of risk factors on the Bank's activities, incl. possible changes in the structure of bank portfolios (analysis of the sensitivity of the Bank's asset portfolio to changes in risk factors is carried out and maximum losses or potential losses are calculated). The scenarios for stress testing of capital are considered by the Bank in relation to macroeconomic conditions: they are either built on the basis of assumptions about certain conditions / changes in the economy, or contain characteristics of the corresponding macro parameters.

When determining the severity of the Scenarios, the Bank proceeds from the fact that the Scenarios should reflect significant shocks (cover the range of risk factors from mild to extreme), and also include cases of high volatility of the financial market or a shock to market liquidity. The scenarios should be consistent with the propensity to accept risks (Risk appetite), correspond to the risk profile and the range of services provided by the Bank.

The Bank identifies the following levels of Scenario severity:

Scenario severity level	Significance level (in %)	Implementation frequency( in years)
Pessimistic	80	Once every 5 years
Critical	95	Once every 20 years
Catastrophic	99	1 time in 100 years

In 2020, the Bank considered the following scenarios of unfavorable development of events for the Bank (hereinafter referred to as the Scenarios):

- Scenario 1 "Client abandonment" - realization of liquidity risk, concentration risk, interest rate and non-financial risks (decrease in balances on current accounts of clients by 40%, increase in concentration risk per borrower by 3 times);

- Scenario 2 "Non-repayment of loans" - realization of credit risk, liquidity risk and non-financial risks (deterioration of the quality of the loan portfolio - 20% of its value are bad loans);

- Scenario 3 "Decrease in income" - realization of credit risk, liquidity risk and non-financial risks (decrease in the interest rate on outstanding loans by 20% while maintaining the cost of borrowed funds);

- Scenario 4 "Changes in securities quotes" - realization of market, interest rate and liquidity risks (decrease in securities quotes by 10%);

- Scenario 5 "Growth of operational and legal risks" - realization of operational and legal risks, as well as liquidity risk (presence of operational losses or direct losses in the amount of 10% of the Bank's own funds);

- Scenario 6 "Systemic banking crisis" - banking risks (write-off of funds from current customer accounts in the amount of 50%, correspondent accounts of LORO - 70%; decrease in urgent borrowed funds by 70%, non-repayment of loans in the amount of 20% of the Bank's loan portfolio);

- Scenario 7 "Financial crisis" - banking risks (a decrease in the value of securities by 30%, a decrease in the key rate by 20%, a decrease in urgent borrowed funds by 50%, non-repayment of loans in the amount of 10% of the Bank's loan portfolio, the presence of operational losses or direct losses in the amount of 5% of the Bank's own funds (capital).

According to the latest comprehensive stress testing of the Bank's financial indicators as of 01.07.2020, the following conclusions were made:

- the Bank's capital is sufficient to cover most of the potential significant losses;
- implementation of 3 Scenarios will result in a loss for the Bank, negative return on equity (ROE) and return on assets (ROA).
- none of the Scenarios will lead to violations of the Bank's mandatory standards.
- the maximum damage to the Bank can be caused by the implementation of the Scenarios "Non-repayment of loans", "Growth of operational (including legal) risks", "Systemic banking crisis" and "Financial crisis".
- the Bank should pay special attention to the operational, legal, credit and interest rate risks of the Bank.

### **Credit risk management**

In the process of credit risk management, the Bank is guided by the internal documents on credit risk management of the Bank.

The Bank does not apply an approach based on internal ratings in order to calculate the credit risk of the counterparty, weighted by the risk level, in accordance with the regulation of the Bank of Russia dated 06.08.2015 № 483-P "On the procedure for calculating the amount of credit risk based on internal ratings".

There were no significant changes in the organizational structure of the Bank in terms of credit risk management as compared to the previous banking reporting.

Credit risk is the risk arising from the likelihood of non-fulfillment of contractual obligations by a borrower or counterparty to a credit institution.

Lending operations, being one of the priority areas of the Bank's activities, are also one of the most risky, therefore almost all of the Bank's loans are secured, which significantly reduces the Bank's credit risk. In addition, all of the Bank's assets are unencumbered. When assessing credit risk, the Bank applies a standardized approach.

Credit operations, being one of the priority areas of the Bank's activities, are also one of the most risky, therefore, risk assessment on credit operations is the most important part of the analysis of the Bank's financial stability. The Bank adheres to a conservative credit policy, trying to fully cover its risks.

The Bank provides borrowers with loan products only after a detailed assessment of all possible risks associated with the activities of these borrowers.

When assessing credit risk, the Bank uses the following components: the share of standard loans in the total loan portfolio of the Bank, the share of non-standard loans in the total loan portfolio of the Bank, the share of doubtful loans in the total loan portfolio of the Bank, the share of problem loans in the loan portfolio of the Bank, the share of bad loans in the Bank's loan portfolio, the level of coverage by provisions for possible losses on the loan and equivalent indebtedness of non-standard loans of the Bank's loan portfolio, the level of coverage by provisions for possible losses on the loan and equivalent indebtedness of doubtful loans of the Bank's loan portfolio, the level of coverage by provisions for possible losses on the loan and equivalent debt of



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problem loans of the Bank's loan portfolio, the indicator of the concentration of outstanding loans according to OKVED, the indicator of the concentration of outstanding loans according to the OKATO, the ratio of the Bank's equity (capital) adequacy (N1.0), the ratio of the maximum amount of risk per borrower or a group of related borrowers (N6), the ratio of the maximum size of large credit risks (N7), counterparty credit risk indicator, residual risk level indicator, credit risk stress testing indicator. These components of credit risk assessment allow making management decisions in relation to banking products for clients.

For effective risk management, the Bank has an Executive, Finance and Credit Committees. The purpose of the Credit Committee is to develop and make decisions on all issues related to lending to the Bank's clients. The Credit Committee approves the main terms of lending:

- loan amount;
- loan terms;
- interest rate;
- requirements for securing obligations to repay a loan;
- the procedure for granting a loan and other conditions.

The Bank's credit risk management process consists of the following stages:

- identification (revelation) of credit risk;
- analysis and assessment of credit risk;
- regulation of credit risk- measures to limit and reduce credit risk;
- monitoring the level of credit risk accepted by the Bank;
- monitoring compliance with the Bank's credit risk management procedures;
- stress testing and forecasting of credit risk indicators;
- self-assessment of the level of credit risk;
- preparation and analysis of reports on the level of credit risk accepted by the Bank..

Credit risk is regulated by a system of settlement limits. The assessment of the financial condition of the Bank's counterparties in order to establish limits is carried out on the basis of a methodology that is part of the Bank's policy. Based on the results of monitoring the creditworthiness of counterparties, which is carried out on an ongoing basis by the responsible divisions of the Bank, proposals are made to change the existing limits for consideration by the Financial or Executive Committee of the Bank.

The current system is quite conservative and avoids losses in the interbank lending market.

Loans by the Bank are issued in the presence of liquid and sufficient collateral, drawn up in accordance with the procedure established by law. Real estate, equipment, vehicles, bank guarantees and sureties, highly liquid securities, etc. can act as collateral for loans to legal entities.

The Bank uses the following methods to reduce (minimize) credit risk:

- reserving funds to cover possible losses (aimed at protecting depositors, creditors and participants);
- diversification of loans (carried out by distributing loans to various categories of borrowers, terms of provision, types of collateral, by industry);



– structuring loans (detailed development of a loan scheme in order to optimize its parameters and minimize financial, tax and legal risks for the parties).

The current credit policy of the Bank eliminates the concentration of credit risk by establishing internal standards that are stricter than the current standards of the Bank of Russia.

The Bank has developed and operates policies and procedures aimed at preventing and minimizing damage from credit risk. In order to minimize credit risk, the Bank operates the following procedures:

- mandatory regular assessment of the financial condition of borrowers,
- determination of groups of related clients / borrowers of the Bank in order to assess and reduce possible credit risks, comply with the limits in force in the Bank and fulfill the requirements of the Bank of Russia in terms of calculating mandatory ratios,
- assessing the liquidity and sufficiency of the offered collateral,
- constant monitoring of the performance by borrowers of their obligations to the Bank and the actual availability and condition of collateral,
- assessment of the quality category of issued loan products,
- the procedure for creating reserves for possible losses on loans, reserves for possible losses on other operations.

The level of provisions for the Bank's loan and equivalent to the loan debt according to the data of Form 0409115 (excluding funds placed with the Central Bank of the Russian Federation) is not high due to the good quality of the loan portfolio, as well as the availability of collateral for the loans on the Bank's balance sheet.

LLP as of 01.01.2021 for loans of the 2nd quality category amounted to 9814 thousand rubles or 3.92% of the LLP, for loans of the 3rd quality category - 13533 thousand rubles or 11.54% of the LLP, for loans of the 4th quality category - 27458 thousand rubles or 51.00% of the LLP, for loans of the 5th quality category - 51 thousand rubles or 100%.

The level of reserves as of 01.01.2021 amounted to 10.14% of the Bank's loan debt.

During 2020, the Bank's residual credit risk was not significant, namely:

- collateral for loan debt is liquid, there were no preconditions for the loss of liquidity;
- there were no legal deficiencies in the execution of documentation on credit transactions
- all documents related to credit transactions are available, no defects in their form were identified, all credit transactions of the Bank are valid;
- the debtor did not provide false information about his financial position.

The Bank determines the procedure for assessing the reasonableness of the application of full recognition of the value of collateral in order to reduce credit risk. The Bank's policy in the field of collateral is set out in the relevant internal document of the Bank and is aimed at:

- to achieve reliable collateral for transactions in which the Bank acts as a creditor;
- minimization of losses when foreclosure on the subject of a pledge;
- the Bank's compliance with the requirements of the Central Bank of the Russian Federation in terms of assessing the quality of loan collateral.

All of the Bank's loans are secured by liquidity. In working with collateral for loan obligations, the Bank uses a conservative, prudent approach, which is designed to minimize possible residual risk.

The restructured loans in the Bank's loan portfolio as of 01.01.2021 amounted to RUB 76,895 thousand, or 15.34% of the Bank's loan and equivalent debt (as of 01.01.2020, restructured loans amounted to RUB 41,322 thousand). In 2020, the indicator of restructured loans increased by 35,573 thousand rubles, or 86.09%.

Concentration of credit risk is the provision of large loans to an individual borrower or a group of related borrowers, as well as as a result of the Bank's debtors belonging either to certain sectors of the economy, or to geographic regions, or in the presence of a number of other liabilities that make them vulnerable to the same economic factors.

Forming a loan portfolio, the Bank adheres to a certain level of concentration of lending operations, since it operates in a specific market segment and specializes in servicing a specific clientele. Concentration risk is identified as an independent type of risk for management, it is necessarily taken into account when making decisions on transactions with counterparties and clients. The Bank's RMS conducts ongoing analysis of concentration risk, incl. within the framework of the analysis of the Bank's credit and market risks.

The Bank pays close attention to controlling the level of concentration of large credit risks. In accordance with internal regulations, the Bank has implemented a procedure for daily monitoring of major credit risks and forecasting compliance with the requirements established by the Bank of Russia in accordance with N6 (maximum exposure per borrower or a group of related borrowers) and N7 (maximum exposure to large credit risks). For this purpose, support and monitoring of the List of large and related borrowers of the Bank is carried out.

Among the largest borrowers of the Bank are representatives of various sectors of the economy, thus, the credit risk is sufficiently diversified.

The Bank pursues a balanced policy in the formation of reserves for possible losses on loans, loan and equivalent debts. The Bank forms reserves for possible losses on loans, loan and equivalent indebtedness, as well as for other operations in accordance with the Bank's internal Regulations, developed in accordance with the requirements of the Central Bank of the Russian Federation Regulations № 590-P, № 611-P. Control over the correct and timely formation of reserves is carried out by the Bank's Lending Department, followed by control by the Internal Audit Service.

According to the analysis of credit risk as of 01.01.2021, the following conclusions were made:

- the standards established by Instruction № 199-I are fulfilled as of the analyzed date, there were no violations on the intra-month dates.

The degree of negative impact of the concentration of credit risk on the Bank's ability to service its liabilities with available cash is assessed as insignificant.

- the overall level of credit risk is assessed as *medium*, according to the approved internal Methodology for the analysis of credit risk in the Bank.

- there is no need to take urgent measures to reduce the level of the Bank's credit risk and preserve capital.

As of 01.01.2021, the Bank's RMS underwent stress testing of credit risk, during which two scenarios were considered:



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- decrease in capital by 30% and growth of bad loans by 5 times;
  - 2-fold growth of large credit risks net of RVP and a 50% decrease in capital.

According to the results obtained, it was concluded that the financial stability of the Bank to credit risks for 2020 slightly increased - with the possible implementation of the considered stressful development scenarios, the generalized assessment of assets will remain at the acceptable level for the Bank.

#### **Counterparty credit risk management.**

The Bank does not disclose information on counterparty credit risk management due to the absence of the latter.

#### **Securitization risk management.**

The Bank does not disclose information on securitization risk management due to the absence of the latter.

#### **Market risk management.**

Market risk (MR) is the risk that the Bank will incur financial losses / losses due to changes in the current fair value of financial instruments, as well as foreign exchange rates and / or precious metals. A distinctive feature of market risk from other banking risks is its dependence on market conditions. Market risk includes equity, currency and interest rate risks.

The Bank's market risk management policy defines the main principles of market risk management, taking into account domestic and international banking practice, including:

- goals and objectives of market risk management;
- the procedure for identifying, assessing, determining the acceptable level of market risk and monitoring the level of market risk;
- taking measures to maintain an acceptable level of market risk, including control and (or) minimization of risk;
- the procedure for information support on market risk issues (the procedure for exchanging information between divisions and employees, the procedure and frequency of submission of reporting and other information on market risk management);
- the procedure for managing market risk when changing the structure of financial instruments, their quantitative and cost indicators, developing and introducing new technologies and conditions for carrying out banking operations and other transactions, other financial innovations and technologies, when entering new markets;
- distribution of powers and responsibilities between the Board of Directors of the Bank, executive bodies, divisions and employees in terms of implementation of the basic principles of market risk management;
- the procedure for monitoring the effectiveness of market risk management

The Department of Foreign Exchange Control and International Sales carries out current monitoring of the level of market risks, operational control of the formation and changes in the structure of portfolios of financial instruments inherent in market risk, daily current operational



control of the open foreign exchange position, control of compliance with transaction procedures, etc.

The Bank organizes a market risk management system for the following purposes:

- avoidance of possible losses due to fluctuations in prices for financial instruments;
- compliance with the requirements of the Bank of Russia to ensure the financial stability of the Bank;
- ensuring compliance with the legitimate interests of the Bank and its clients when working with market instruments.

The main objectives of creating a market risk management system are:

- organizing control over the diversification of the portfolio of financial instruments inherent in market risk;
- maintaining the Bank's open positions at a level that does not threaten its financial position.

Market risk management in the Bank is based on the principles of differentiation of market risk sources, responsibility for assumed risk, limitation of potential losses and centralization of market risk management.

In accordance with the principle of differentiation of risks, each of the centers of responsibility bears market risk specific only to a particular type of business. The establishment of this principle ensures the efficient allocation of limits, as well as the operational control of their use. The Financial Committee determines the list of the Bank's divisions, which are allowed to perform operations in the external market and open positions. In accordance with the principle of limiting losses, the total volume of the limits established by the Bank should not exceed the normative ratios established by the Bank of Russia.

In accordance with the principle of responsibility for risk, divisions empowered to conduct transactions related to market risk are responsible for the effective use of these powers.

In accordance with the principle of centralization of market risk management, all information on transactions affecting the Bank's open positions (including open exchange positions), as these transactions are performed, is available online in the Diasoft ABS for the purpose of intraday regulation of positions and forecasting positions at the end of the day.

The Bank defines the following main types of transactions (but is not limited to them), which are inherent in market risk:

- active and passive fixed income transactions that do not coincide in terms of maturity;
- transactions with paid liabilities placed in assets that do not have a fixed income;
- operations with shares; debt obligations of the Russian Federation, constituent entities of the Russian Federation and local authorities, enterprises and organizations, bought or sold in order to obtain speculative income;
- transactions with derivative financial instruments bought or sold for the purpose of obtaining speculative income;
- transactions with property with market value, pledged;
- operations with precious metals bought and sold for the purpose of obtaining speculative income;
- operations with foreign currency bought and sold for the purpose of obtaining speculative income (forex);

- operations with foreign currency in cash purchased and sold to individuals through exchange offices in order to obtain speculative income;
- operations with foreign currency purchased and sold for the purpose of carrying out operations for granting a loan, purchasing a security or other instrument;
- transactions with issued guarantees in foreign currency, or accepted guarantees in a currency that does not correspond to the currency of the transaction.

Market risk management methods depend on the nature of emerging risks and are divided into:

common, that is applied to all types of risks included in the concept of market (currency, interest, stock, commodity): methods of managing interest rate risk - in the Policy for managing interest rate risk in the Bank, methods for managing stock and commodity risk - in the Policy for managing stock and commodity risk in the Bank, methods of foreign exchange risk management - in the Foreign Exchange Risk Management Policy of the Bank.

- Common market risk management techniques include:
  - collection and analysis of information about markets and counterparties
  - calculation and assessment of the general level of market risk;
  - forecasting;
  - limits;
  - stress testing;
  - self-esteem;
  - monitoring of price fluctuations for financial instruments inherent in market risk;
  - hedging;
  - system for creating reserves for possible losses.
- special, that is applicable only to a specific type of risk or financial instrument.

Special management methods are considered in the context of specific types of risks.

The Bank identifies and assesses market risks using both quantitative and qualitative parameters, taking into account the actual and planned indicators, as well as the results of stress testing, while monitoring all operations, the result of which cannot be accurately planned, since it depends on the development of the market situation.

In order to identify market risk, the Bank collects and analyzes information on markets and counterparties in two directions. Analysis of information on counterparties includes the systematic collection and analysis of information on all counterparties with whom the Bank enters into contractual relations and (or) carries out transactions. To this end, in all cases, the Bank uses the "Know your customer" principle in its work, monitors changes in financial position, business reputation, etc. The Bank also uses the "Know your employee" principle in the course of its activities. The collection and analysis of the above information is carried out in the divisions intending to conclude an agreement / transaction. The internal documents of the Bank establish the minimum requirements for the package of documents required for counterparties planning to enter into contractual relations with the Bank.



The heads of the relevant departments are responsible for ensuring that these requirements are met.

Verification of the packages of documents for their compliance with the current legislation and the establishment of the powers of persons entering into contracts or carrying out transactions is carried out by the Legal Department of the Bank.

The collection and analysis of information about the markets is carried out by the Bank's RMS (general and / or thematic reviews) and represents analytical reviews and / or reports on the market segments of interest (for example, an overview of the foreign exchange market for a certain period), on an interesting thematic issue related to the Bank's risks (for example, an assessment of risks in the government bond market and the attractiveness of this type of investment for the Bank).

Hedging is an economic transaction involving the use of a financial instrument (usually a derivative) aimed at mitigating (partially or fully) the risks of a hedged position. Hedging involves the use of derivative financial instruments: futures, swaps, forwards, options, etc.

The Bank may use hedging transactions such as futures, forwards, swaps and other transactions that represent the opening of an opposite position in order to compensate for market risks.

When analyzing the feasibility of hedging transaction (s) from the point of view of making informed decisions on the hedging strategy in each specific case, the RMS evaluates the current level of market risks, sources and amounts of reserves to cover market risks, as well as the assumed level of market risks of the Bank if applied hedging. In the event that hedging can significantly (from the point of view of the Bank's reliability) reduce market risk at reasonable costs, then hedging is advisable. If the expected decrease in market risk is insignificant for the financial stability of the Bank, or the costs of hedging are comparable to the savings in reserve funds, then this hedging method is unsuitable and, if possible, other hedging strategies should be sought.

Hedging strategies that the Bank can use to mitigate market risks are determined by a number of factors: type of hedged risk, type of portfolio (financial instrument) being hedged, hedging objectives, market conditions, including the derivatives market, compliance with the Bank's Risk Appetite etc.

The purpose of hedge accounting is to reflect in the Bank's financial statements the results of risk management activities involving the use of financial instruments to manage positions for certain risks that could affect profit or loss (or other comprehensive income, if these are investments in equity instruments for which The Bank chose to present changes in fair value in other comprehensive income in accordance with the requirements of IFRS9).

In general, hedging can be considered effective if the following conditions are met at one time:

- throughout the hedging process, the Bank can expect that the change in the hedged item will be fully offset by changes in the fair value or cash flows of the hedging instrument;
- the actual results achieved are in the range of 80% to 125%.

The effectiveness of hedges is assessed at the time of preparation of the Bank's annual or interim financial statements.

In order to minimize market risk, the Bank implements the following basic procedures and methods:

- operations with securities inherent in the market risk are subject to the mandatory limiting procedure; open foreign exchange positions of the Bank are formed within the limits established by the Bank of Russia; The Bank is also entitled to establish other limits on market risk

indicators if the Executive Committee of the Bank makes a decision on the need to establish these limits;

- the Bank creates a reserve for possible losses, which allows to cover a sudden risk at the expense of the Bank's own funds;

- all restrictions at the level of the Bank's divisions are determined in such a way as to take into account the need to comply with all prudential norms, methodologies and requirements of the Bank of Russia and current legislation, business traditions in relation to standard operations and transactions for financial markets;

- each structural unit has clearly defined limits of authority and reporting.

The Bank applies a standardized approach to market risk management.

Control over the volume of market risk accepted by the Bank is carried out both in the process of carrying out operations (transactions) (at the stage of making a decision to carry out operations / transactions) and at the stage of monitoring the levels of accepted risks by comparing the volume of approved risks with the established limits. The results of limit control are included by the RMS in the Bank's ICAAP reporting.

In order to monitor and maintain market risk at an acceptable level for the Bank, a combination of market risk management methods is used, such as:

- system of authority and decision making;

- information system;

- financial instruments monitoring system.

There are no significant changes in the organizational structure of the Bank in terms of market risk management as compared to the previous accounting (financial) statements.

#### **The magnitude of market risk when applying a standardized approach**

Num-ber	Article title	Risk-weighted value
1	2	3
Financial instruments(except options)		
1	Interest rate risk	2 304 907
2	Stock risk	0
3	Currency risk	57 969
4	Commodity risk	0
Options:		
5	Simplified approach	0
6	Delta plus method	0
7	Scenario approach	0
8	securitization	0
9	Total:	2 362 876

In accordance with the applicable IFRS 9, the Bank uses three main measurement categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income (FVOCI) and measured at fair value through profit or loss (FVTPL).

As of 01.01.2021, the overall level of market risk is recognized as medium. Taking into account the data of the RMS analyzes (interest rate and market risks) and the fact that the Bank's securities portfolio consists of liquid debt bonds of the Ministry of Finance of the Russian Feder-



ation, the risk of losses that could disrupt the financial stability of the Bank is minimal. There was no need to take urgent measures to reduce the level of the Bank's market risk and preserve capital.

As of 01.01.2021, the Bank conducted stress testing of the market risk level, in which three scenarios were considered: a decrease in the key rate by 20%, a decrease in the Bank's equity (capital) by 20% and an increase in the inflation rate by 2 times. The level of market risk based on the results of the above stress test was recognized as acceptable, since a possible change in market risk will not have a critical impact on the professional financial activities of the Bank and the overall level of market risk during 2021 will be at a level not higher than average.

### **Interest rate risk management.**

There were no significant changes in the organizational structure of the Bank in terms of interest rate risk management in comparison with the previous accounting (financial) reporting.

Interest rate risk is the risk of financial losses (losses) due to unfavorable changes in interest rates on assets, liabilities and off-balance sheet instruments of the Bank, which affects the income received by the Bank, as well as the value of its liabilities.

**The purpose of the Bank's interest rate risk management is to minimize the Bank's financial losses due to possible unfavorable changes in interest rates on assets, liabilities and off-balance sheet instruments of the Bank, as well as the risk of revaluation of debt securities in the Bank's portfolio.**

To achieve this goal, the Bank strives to solve the following main tasks:

- assessment of the state of the rates market and timely and reasonable forecasting of changes in market interest rates;
- regular assessment of the risk of unfavorable changes in the price of the Bank's assets under the influence of factors related to the issuers of securities in the current debt portfolio of the Bank.

The division of the Bank's portfolios into trading and banking is carried out by the Bank in order to determine the approaches by which certain instruments will be managed, the risks associated with open positions are measured, the limits are set and the capital adequacy to cover these risks is assessed.

The Bank uses the approach to assessing capital adequacy set forth in Regulation № 511-P. In the course of its professional activities, the Bank manages interest rate risk based on:

- management of the interest rate cycle;
- management in the event of a crisis situation;
- management in case of emergency;
- application of other measures.

The Board of Directors is responsible for organizing the interest rate risk management system in the Bank, which also approves the interest rate risk management policy and organizational structure of the Bank, assesses the activities of the Bank's executive body to implement the approved policy in the area of interest rate risk management and control the level of interest rate risk, etc.

The Executive Committee of the Bank is responsible for implementing the interest rate risk management policy in the Bank, organizing and ensuring the effectiveness of the interest rate risk management system, including organizing systems for monitoring and measuring interest

rate risk, organizing the submission of complete and reliable reporting on the management of interest rate risk, discussing with the Board of Directors of the Bank issues of functioning interest rate risk management systems, organization of measures to improve the qualifications of the Bank's employees performing the functions of interest rate risk management and other issues reflected in the relevant internal documents of the Bank.

The Bank's Financial Committee sets interest rates for attracting and allocating resources, manages the structure of the balance sheet in terms of setting limits on banking products, equity and time limits, liquidity, stop-loss (take-profit), sets risk limits for financial institutions - counterparties of the Bank, and also considers other issues of the Bank's financial activities.

The Bank's RMS is responsible for the implementation of the rules and procedures for interest rate risk management, analysis, assessment and monitoring of interest rate risk, control over compliance with the established interest rate risk limits, stress testing, forecast and self-assessment of interest rate risk, preparation of reports on interest rate risk, participates in the discussion of management quality issues interest rate risk with the Board of Directors and the Executive Committee of the Bank.

The daily calculation of interest rate risk, which is included in the calculation of mandatory ratios established by the Bank of Russia, as well as daily monitoring of the Bank's interest rate risk, in accordance with the approved Methodology for the analysis of interest rate risk in the Bank, is carried out by the Bank's Accounting and Reporting Department.

The table below shows an analysis of the Bank's interest income and expense.

Indicator name	01.01.2021	01.01.2020
1. Interest income from the placement of funds in credit institutions	64 142	64 482
2. Interest income from loans to customers other than credit institutions	63 732	83 394
3. Interest income from investments in securities	85 850	133 723
4. Interest expenses on borrowed funds from credit institutions	8 329	23 477
5. Interest expenses on attracted funds from clients other than credit institutions	29 047	8 743
6. Interest expenses on debt securities issued	0	0
Financial result	176 348	249 379

According to the above data, the financial result on interest income for 2020 decreased by 73,031 thousand rubles or 29.29%. The portfolio of securities subject to interest rate risk consists of debt obligations of the Ministry of Finance of the Russian Federation (2,255,798 thousand rubles).

Interest rate risk is the risk of incurring financial losses (losses) due to unfavorable changes in interest rates. Interest rate risk may be caused by the mismatch of the terms of demand (repayment) of claims and liabilities, as well as the unequal degree of change in interest rates on claims and liabilities. As a method for assessing interest rate risk, the Bank uses Gap analysis according to the data of Form 0409127.

Interest rate risk stress testing.



Stress testing of interest rate risk is carried out by the Bank in terms of the level of interest rates by 200, 400 and 1500 b.p.(basis points) in the process of calculating and reporting in the form 0409127.

The table below shows the volume, structure and sensitivity of the value of financial instruments to changes in interest rates as of 01.01.2021

№ p/p	Financial instruments	Term					
		Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years
ASSETS(in thousand rubles)							
1	Funds on correspondent accounts with credit institutions	0	0	0	0	0	0
2	Loan debt	4 478 948	351	698	8 664	6 370	0
3	Investments in securities	3 690	3 241	61 265	68 196	272 786	
4	Other assets	0	0	0	0	0	0
5	Fixed assets and intangible assets	0	0	0	0	0	0
6	Off- balance sheet requirements	0	0	0	0	0	0
7	Total balance sheet assets and off- balance sheet claims	4 482 638	3 592	61 963	76 860	279 156	0
8	Total balance sheet assets and off- balance sheet claims on an accrual basis	9 799 624	-119 641	-721 846	-91 117	X	X
LIABILITIES(in thousand rubles)							
9	Funds of credit institutions	0	740 836	741 328	0	0	0
10	Funds of customers other than credit institutions	1 987 778	945 830	1 108	412 612	70 893	0
11	Debt issued	0	0	0	0	0	0
12	Other liabilities	0	0	0	0	0	0
13	Sources of own funds	0	0	0	0	0	0
14	Off- balance sheet liabilities	0	0	0	0	0	0
15	Total balance sheet liabilities and off- balance sheet liabilities	1 987 778	1 686 666	742 436	412 612	70 893	0
16	Total balance sheet liabilities and off- balance sheet liabilities on an accrual basis	3 833 587	2 686 650	1 548 256	737 452	X	X
Gap							
17	Gap(in thousand rubles)	2 494 860	-1 683 074	-680 473	-335 752	208 263	0
18	Gap on an accrual basis (in thousand rubles)	5 966 037	-2 806 291	-2 270 102	-828 569	X	X
19	Gap ratio( cumulative relative gap)	2.26	0.00	0.08	0.19	X	X
20	Gap ratio( cumulative relative gap)	2.56	-0.04	-0.47	-0.12	X	X
Stress testing							
21	Time factor	0.95833	0.83333	0.62500	0.25000	Interest rate change scenarios	
22	Change in interest income by 200 basis points(in thousand rubles)	47 817.98	-28 051.12	-8 505.91	-1 678.76		
23	Change in interest income by 400 basis points(in thousand rubles)	95 635.97	-56 102.24	-17 011.83	-3 357.52		
24	Change in interest income by 1500 basis points(in thousand rubles)	358 634.88	-210 383.41	-63 794.34	-12 590.70		

The absolute gap and the gap on an accrual basis were:

– in the time interval “up to 1 month” +2 494 860.00 thousand rubles, on an accrual basis +5 966 037.00 thousand rubles;

– in the time interval “from 1 to 3 months” -1 683 074.00 thousand rubles, on an accrual basis -2 806 291.00 thousand rubles;

- in the time interval "from 3 to 6 months" - 680 473.00 thousand rubles, on an accrual basis -2 270 102.00 thousand rubles;
- in the time interval "from 6 to 12 months" -335,752.00 thousand rubles, on an accrual basis -828,569.00 thousand rubles;
- in the time interval "from 1 to 3 years" +208 263.00 thousand rubles;
- in the time interval "more than 3 years" 0.00 thousand rubles.

The absolute gap for all periods, except for the periods "from 3 to 6 months" and "from 6 to 12 months", is positive.

The gap ratio (cumulative relative gap) and the gap on an accrual basis were:

- in the time interval "up to 1 month" - 2.26, on an accrual basis 2.56;
- in the time interval "from 1 to 3 months" - 0.00, with a cumulative total of -0.04;
- in the time interval "from 3 to 6 months" - 0.08, cumulative total -0.47;
- in the time interval "from 6 to 12 months" - 0.19, with a cumulative total of -0.12.

The results of the stress testing of the Bank's interest rate risk as of 01.01.2021 are presented earlier in the table of the Gap analysis of interest rate risk. During stress testing, the following results were obtained:

- if the interest rate increases by 400 basis points, the Bank's net interest income for the year will increase by 9,582.19 thousand rubles;
- if the interest rate increases by 1000 basis points, the Bank's net interest income for the year will decrease by 19,164.38 thousand rubles;
- in the event of an increase in the interest rate by 1500 basis points, the Bank's net interest income for the year will decrease by 71,866.43 thousand rubles.

The interest rate risk is monitored on a daily basis by the Accounting Department and the Bank's RMS from the point of view of the impact on the fulfillment of the requirements of the Central Bank of the Russian Federation in terms of compliance with N.1.0 (the Bank's equity (capital) adequacy ratio).

In the event that negative trends in the growth of the Bank's interest rate risk are revealed, which may lead to a violation of the requirements of the Central Bank of the Russian Federation in terms of compliance with the aforementioned standards, the Bank's Accounting Department brings this information to the attention of the RMS and the President of the Bank, and / or the Bank's Finance Committee in order to take the necessary measures to minimize the amount interest rate risk specified in the Bank's Interest Rate Risk Management Policy. Information on the monitoring results is provided to the President, the Finance Committee and the Board of Directors of the Bank as part of the RMS reporting.

**Stress - testing the interest rate risk and analyzing its impact on the financial result, the amount of equity (capital) and the value of the capital adequacy ratio in aggregate for all currencies and in the context of currencies.**

Stress - testing of interest rate risk and analysis of its impact on the financial result, the amount of equity (capital) and the value of the capital adequacy ratio in aggregate for all currencies, the Bank carries out on a quarterly basis according to the following scenarios:

- baseline scenario - decrease / increase in interest rates by 2%;



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- moderate scenario - decrease / increase in interest rates by 4%;
  - stress scenario - decrease / increase in interest rates by 15%.

As of 01.01.2021, the Bank made a profit taking into account other comprehensive income (form 0409102) in the amount of 25,903.00 thousand rubles.

According to stress test scenarios:

- in case of an increase in interest rates by 2%, profit will increase by 9,581.49 thousand rubles and will amount to 31 848.49 thousand rubles (in rubles, the increase will amount to 33,364.87 thousand rubles, in US dollars, the decrease will be 23,749.98 thousand rubles, in euros, the decrease will be 33.40 thousand rubles);

- in case of a decrease in interest rates by 2%, profit will decrease by 9,581.49 thousand rubles and will amount to 12 685.51 thousand rubles (in rubles the decrease will amount to 33,364.87 thousand rubles, in US dollars the growth will be 23,749.98 thousand rubles, in euros the increase will be 33.40 thousand rubles);

- in the event of an increase in interest rates by 4%, profit will increase by 19,165.21 thousand rubles and will amount to 41,432.21 thousand rubles (in rubles, the increase will be 66,731.97 thousand rubles, in US dollars, the decrease will be 47,502.19 thousand rubles, in euros, the decrease will be 66.80 thousand rubles);

- in case of a decrease in interest rates by 4%, profit will decrease by 19,165.21 thousand rubles and will amount to 3 101.79 thousand rubles (in rubles the decrease will amount to 66,731.97 thousand rubles, in US dollars the increase will be 47,502.19 thousand rubles, in euros the increase will be 66.80 thousand rubles);

- in case of an increase in interest rates by 15%, profit will increase by 71,866.74 thousand rubles and will amount to 94,133.74 thousand rubles (in rubles the increase will be 250 243.23 thousand rubles, in US dollars the decrease will be 178 129.32 thousand rubles, in euros the decrease will be 247.16 thousand rubles);

- in case of a decrease in interest rates by 15%, profit will decrease by 71,866.74 thousand rubles and the Bank will receive a loss in the amount of RUB 49,599.74 thousand (in rubles, the decrease will amount to 250,243.23 thousand rubles, in US dollars, the increase will amount to 178,129.32 thousand rubles, in euros, the decrease will amount to 247.16 thousand rubles).

As of 01.01.2021, the size of the Bank's equity (capital) (in accordance with Form 0409123) amounted to 2,142,787.00 thousand rubles, the ratio of the Bank's equity (capital) adequacy ratio N1.0 (in accordance with Form 0409135) was 46.172% ... According to stress test scenarios:

- in case of an increase in interest rates by 2%, the amount of capital will increase by 9,581.49 thousand rubles and will amount to 2,152,368.49 thousand rubles (in rubles, the increase will amount to 33,364.87 thousand rubles, in US dollars, the decrease will be 23,749.98 thousand rubles, in euros, the decrease will be 33.40 thousand rubles); H1.0 will decrease by 0.250% and amount to 45.922%;

- in case of a decrease in interest rates by 2%, the amount of capital will decrease by 9,581.49 thousand rubles and will amount to 2,133,205.51 thousand rubles (in rubles the decrease will amount to 33,364.87 thousand rubles, in US dollars the growth will be 23,749.98 thousand rubles, in euros the increase will be 33.40 thousand rubles); H1.0 will increase by 0.255% and amount to 46.427%;

- in case of an increase in interest rates by 4%, the amount of capital will increase by 19,165.21 thousand rubles and will amount to 2 161 952.21 thousand rubles (in rubles, the in-



crease will be 66,731.97 thousand rubles, in US dollars, the decrease will be 47,502.19 thousand rubles, in euros, the decrease will be 66.80 thousand rubles); H1.0 will decrease by 0.494% and amount to 45.678%;

– in the event of a decrease in interest rates by 4%, the amount of capital will decrease by 19,165.21 thousand rubles and will amount to 2 123 621.79 thousand rubles (in rubles the decrease will amount to 66,731.97 thousand rubles, in US dollars the increase will be 47,502.19 thousand rubles, in euros the increase will be 66.80 thousand rubles); H1.0 will increase by 0.515% and amount to 46.487%;

– in case of an increase in interest rates by 15%, the amount of capital will increase by 71,866.74 thousand rubles and will amount to 2,214,653.74 thousand rubles (in rubles the increase will be 250 243.23 thousand rubles, in US dollars the decrease will be 178 129.32 thousand rubles, in euros the decrease will be 247.16 thousand rubles); H1.0 will decrease by 1.760% and amount to 44.412%;

– in case of a decrease in interest rates by 15%, the amount of capital will decrease by 71,866.74 thousand rubles. and will amount to 2,070,920.26 thousand rubles. (in rubles the decrease will be 250 243.23 thousand rubles, in US dollars the growth will be 178 129.32 thousand rubles, in euros the growth will be 247.16 thousand rubles); H1.0 will increase by 2.043% and amount to 48.215%.

Stress test values of the equity capital adequacy ratio meet the requirements of internal documents. No significant exposure of the Bank to the interest rate risk was revealed (the forecast value of the loss was obtained with a decrease in interest rates by 15%, which is a crisis scenario of the development of events with a low probability of realization).

When determining the level of interest rate risk, the Bank uses the following internal indicators: the sum of the maximum possible interest rate risk taking into account the correlation of risks, the ratio of the calculated interest rate risk, the indicator of the concentration of the interest rate risk, the ratio of the interest rate risk, the indicator of the gap with a cumulative total, the ratio of the relative gap, the indicator of the interest rate risk, the indicators of the deviation of the value of interest rate risk for financial instruments, the indicator of the ratio of the value of the interest rate risk on financial instruments to the planned capital.

The following information is included in the reporting on interest rate risk:

- information about the current state of interest rates on the banking services market and about their changes;
- information on the amount of interest rate risk on aggregated positions on financial instruments sensitive to changes in interest rates;
- information on the compliance of positions on financial instruments sensitive to changes in interest rates with the established limits;
- stress test results;
- opinions (expert assessments) of analysts on changes in interest rates in the future;
- information on the forecast values of indicators for financial instruments sensitive to changes in interest rates;
- information on the results of measurement of interest rate risk.

Reporting title	Executive committee	Board of directors
	Submission timeline	
Interest rate risk analysis	monthly	quarterly
Stress testing of interest rate risk	quarterly	
Analysis of the impact of changes in interest rate risk on the financial result and capital of the Bank by types of currencies		
Forecast of the level of interest rate risk	At least once a year	



As of 01.01.2021, the overall level of interest rate risk is recognized as medium. Debt obligations of the Ministry of Finance of the Russian Federation, which constitute the Bank's securities portfolio and create a high concentration of the Bank's interest rate risk, have a sufficiently high liquidity, therefore, do not pose any threat to the financial stability of the Bank.

#### **Operational risk management.**

Operational risk is the risk of direct and indirect losses as a result of imperfection or erroneous internal processes of the credit institution, actions of personnel and other persons, failures and shortcomings of information, technological and other systems, as well as a result of external events.

#### Internal and external factors of operational risk can be:

- accidental or deliberate actions of individuals and / or legal entities directed against the interests of the Bank;
- contradictions in the distribution of powers of divisions and employees of the Bank, procedures for conducting banking operations and other transactions, their documentation and recording, non-compliance by employees with established procedures and procedures, ineffectiveness of internal control;
- failures in the functioning of systems and equipment;
- unfavorable external circumstances beyond the control of the Bank.

#### The manifestation of various factors of operational risk may result in losses due to:

- abuse or illegal actions of the Bank's employees (theft, abuse of office, deliberate concealment of the facts of banking operations and other transactions, unauthorized use of information systems and resources);
- illegal actions of third-party (third) parties (forgery and / or forgery of payment and other documents, unauthorized entry into information systems);
- violation of labor legislation by the Bank or its employees (violation of the terms of an employment contract, harm to the health of employees);
- violations of other legislation (including banking legislation on combating the legalization (laundering) of proceeds from crime and the financing of terrorism);
- non-fulfillment or improper fulfillment of obligations arising from contracts related to the main activity to customers, counterparties and / or other third parties;
- violations of business customs (improper use of confidential information, imposition of services, price collusion);
- damage or loss of fixed assets and other tangible assets (as a result of acts of terrorism, natural disasters, fire);
- failure of equipment and systems (failure of ABS "Diasoft 5NT", SWIFT terminal, other communication facilities, equipment breakdown);
- improper organization of activities, management and execution errors (imperfection of the security system and / or procedure for access to information, incorrect organization of intra bank information flows, failure to fulfill their obligations by service providers (performers of work) to the Bank, errors in entering and processing data on operations and transactions, loss of documents, etc.).

#### Operating losses can manifest themselves in the form of:

- reducing the value of assets;

- early write-off (disposal) of tangible assets;
- cash payments based on decisions (decisions) of courts, decisions of bodies authorized in accordance with the legislation of the Russian Federation;
- cash payments to customers and counterparties, as well as to employees of the Bank in order to compensate them out of court for losses incurred by them through the fault of the Bank;
- costs for restoration of economic activity and elimination of the consequences of errors, accidents, natural disasters and other similar circumstances;
- other losses.

The operational risk management system consists of the following stages:

- identification of operational risk;
- assessment and analysis of the level of operational risk;
- monitoring of operational risk;
- control over the efficiency of operational risk management;
- a system of measures to minimize the level of operational risk.

Identification of factors of the presence of operational risk involves the analysis of all conditions of the Bank's functioning for the presence or the possibility of occurrence of factors (sources) of operational risk, which can be carried out at several levels:

- analysis of changes in the financial sector as a whole (for example, the introduction of new technologies or financial innovations), which may have an impact on the Bank's performance;
- analysis of the operational risk exposure of the areas of activity, taking into account the priorities of the Bank;
- analysis of individual banking operations and other transactions;
- analysis of internal procedures, including the reporting and information exchange system.

All innovations made by the Bank - changes in the structure or procedures, the introduction of new services and technologies (including with the use of outsourcing - involving a specialized third-party organization (service provider) to perform certain types of work), the development of new areas of activity - at the development stage are thoroughly analysis to identify operational risk factors.

Heads of divisions (responsible persons) are responsible for identifying and assessing operational risk in accordance with the requirements of the Bank of Russia and the Bank's internal documents in the area of operational risk management. In order to educate employees about operational risks that may arise in connection with the performance of their official duties, the RMS advises (instructs) managers and employees of the Bank (responsible persons) on operational risk management at least once a year. Information on the briefing on identifying the Bank's operational risks is drawn up in writing and stored in the Bank's RMS for at least 5 years.

At the stage of identifying the factors of the presence of operational risk, special attention is paid to cases of overlapping powers and responsibilities of divisions and employees of the Bank. The identification of operational risk factors is carried out by all divisions of the Bank, since operational risk can manifest itself in any area of work. In structural divisions, the heads of divisions are responsible for identifying operational risk and initial assessment.



All identified risk factors are classified depending on the degree of significance on a five-point scale:

Severity	Points awarded
Insignificant	1
Medium materiality	2
Substantial	3
Serious	4
Critical	5

In accordance with the above scale, the responsible persons (heads of departments) fill out an assessment table for identifying operational risk factors (if any) and their positive impact on them. At the same time, the factors of positive influence are also classified on a five-point scale:

The degree of positive influence	Points awarded
Insubstantial	1
Medium materiality	2
Substantial	3
Significant	4
Crucial	5

The identified risk factors according to the degree of urgency and significance are subdivided into: urgent, medium urgency, non-urgent. The responsible person informs his manager, the ABS and / or RMS system administrator about urgent cases, depending on the nature of the operational failure, before including them in the assessment table. In the event of unforeseen emergency events, all employees of the Bank are guided by the Action Plan aimed at ensuring the continuity of operations and (or) restoration of the Bank's operations in the event of unforeseen circumstances (hereinafter - the C&RA Plan). The responsible person informs the RMS about other cases by providing him with the scorecard in electronic form.

When compiling assessment tables, heads of structural divisions use a system of indicators for monitoring operational risk in their work, which can be expressed not only in identifying risk factors, but also have quantitative and (or) financial values (including actual and (or) potential operational loss, missed benefit or decrease in the level of the Bank's business reputation).

Internal indicators of an increase in the level of operational risk include:

- a significant increase in the number and severity of operational errors of employees due to various reasons;
- increasing the frequency of computer failures, equipment malfunctions;
- regular late submission of internal and external reporting;
- customer complaints about poor service; data on failed banking transactions;
- long-term non-filling of vacancies in intense work areas;
- staff turnover in tense areas of work;
- systematic non-compliance by employees with the requirements of internal regulatory documents, requirements for information security, corporate ethics rules, etc.;
- violation of labor discipline;
- systematic violation of safety measures at workplaces, other cases that may lead to technical problems and (or) accidents;

- others.

External indicators are described below.

Based on the results of compiling the assessment tables of the Bank's RMS, the estimated score for identifying the factors of operational risks for this structural unit is displayed. At the same time, this score cannot serve as an assessment of the effectiveness of the unit itself, since the reasons for operational failures may lie outside its boundaries.

In order to ensure the conditions for the effective identification of operational risk, as well as its assessment, the Bank has created and maintains an internal analytical database on incurred operational losses (operational events) of the Bank (hereinafter - the internal database) and an external database of the implementation of operational risks in other credit institutions (collection of data on operational incidents is carried out weekly using the media - newspapers, magazines, the Internet, television, etc.). The Center of Competence (DB Administrator), where information about operational events is collected, is the Bank's RMS. To ensure the unification of approaches and comparability of data, the classification of business processes by business lines, a catalog of loss types, a classification of the Bank's activities and types of operational events are used.

The authorized persons responsible for collecting data on operational incidents are the heads of the Bank's divisions. The internal database records data on operational events that have occurred, including data on losses incurred by the Bank caused by the described events, indicating the processes / operations in which an operational failure / event took place, a description of the event, a description of the causes of the event, a description of the type of losses, etc.

The Bank uses three stages of data entry into the operational events database:

- stage of preliminary description of the event;
- stage of assessing the consequences of the event;
- the stage of evaluating data entry procedures and results.

The Bank carries out an assessment of the level of operational risk in two stages:

- formation of a report of the structural unit on the identification of operational risk;
- formation of a consolidated report on the level of weighted operational risk by the Risk Management Service based on the reports of structural divisions on the identification of operational risk.

For the purposes of calculating the capital requirement to cover operational risk, the Bank applies the basic indicator approach (BIA) for calculating operational risk recommended by the Central Bank of the Russian Federation in Regulation № 652-P dated 03.09.2018 "Regulations on the Procedure for Calculating the Size of Operational Risk".

As of 01.01.2021, the operational risk (excluding the coefficient 12.5) for the Bank as a whole amounted to 51,066 thousand rubles. (as of 01.01.2020 - 49 474 thousand rubles)

The use of this method for assessing operational risk allows us to identify the weak and strong sides in its management. The level of operational risk (acceptable)  $\leq 30\%$  is considered "low",



and levels of operational risk above the acceptable level are considered "medium" and "high", requiring the application of measures to minimize it.

The officials and divisions included in the Bank's operational risk management system include:

- Board of Directors;
- Executive Committee;
- President;
- Risk Management Service (RMS);
- Legal Department;
- Chief Accountant;
- Responsible person for combating legalization (laundering) of proceeds from crime and financing of terrorism);
- Information Technology Department, Information Security Division;
- Internal Audit Service (IAS);
- Internal Control Service (ICS);
- responsible persons for identifying operational risks.

Moreover, each structural unit has its own specific functions in the operational risk management system.

Responsible persons for the control of operational risks are appointed heads of structural divisions, whose competence includes:

- identification and assessment of operational risks in the areas of work assigned to them in accordance with the approved Methodology of the Bank;
- development of measures to eliminate the causes leading to the emergence of operational risks; work to eliminate shortcomings in the risk management system;
- timely delivery of comprehensive information on identified operational risks to the Bank's RMS;
- compliance with the requirements of the internal and external regulatory framework, organization of the technological process in such a way as to exclude the possibility of operational risk at all stages of its activity.

The RMS carries out an analysis of operational risk, which consists of 5 stages:

- assessment of the level of operational risk in order to determine the adequacy (sufficiency) of the Bank's equity (capital);
- assessment of the level of operational risk based on monitoring (identification) indicators;
- assessment of the current level of operational risk;
- assessment (calculation) of the inherent operational risk;
- assessment (calculation) of residual operational risk.

As of 01.01.2021, the level of operational risk in order to determine the adequacy (sufficiency) of the Bank's own funds (capital) and according to monitoring indicators is assessed as low, the current level of operational risk - as medium (to assess the current level of operational risk, the Bank's RMS uses the scoring method of these risks through the analysis of external indicators of the Bank's activity):

№ p/p	Indicator name	On 01.01.2021
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1	Share of losses from the realization of operational risks in total costs %	0.24993
2	Share of costs associated with operational risk management in total costs, %	2.51208
3	The ratio of costs associated with of operating risk management to equity, %	4.07623
4	The ratio of the basic indicator of operational risk (15 % of gross income) to equity, %	1.52717
5	Results of stress testing of operational risk , number of units	3

Minimization of operational risk involves the implementation of a set of measures aimed at reducing the likelihood of occurrence of events or circumstances leading to operating losses, and / or at reducing (limiting) the amount of potential operating losses. Operational risk mitigation methods are applied taking into account the specific nature of emerging risks.

The main method for minimizing operational risk is the development of an organizational structure, internal rules and procedures for banking operations and other transactions in such a way as to exclude (minimize) the possibility of operational risk factors. At the same time, special attention is paid to the observance of the principles of separation of powers, the procedure for approval (agreement) and accountability for ongoing banking operations and other transactions.

The Bank also applies other methods (methods) to minimize the level of operational risk:

- standardization of banking operations and other transactions (procedures, procedures, technologies for carrying out operations and transactions, concluding agreements);
- organization of a system of additional and subsequent control, systems of ongoing verification of ongoing transactions and operations;
- analysis of the impact of operational risk factors (both in aggregate and in the context of their classification) on the Bank's performance indicators;
- raising the level of qualifications of personnel;
- automation of banking processes and technologies, especially in areas related to standard operations and large volumes of work;
- distribution of responsibilities between departments, taking into account the optimization of the load on individual employees;
- providing employees with a regulatory framework that is as adequate as possible to internal and external requirements.

The reporting on operational risk is prepared by the Bank's RMS in accordance with the requirements of the Bank of Russia.

ICAAP reporting includes, but is not limited to, the following information:

- on the aggregate amount of operational risk accepted by the Bank;
- on the use of approved limits and capital adequacy of the Bank in relation to operational risk;
- on the facts of violation by the Bank's divisions of the established limits and the achievement / failure of the signal values of the operational risk, as well as the measures taken to resolve the identified violations;
- on the fulfillment of mandatory standards;
- on the results of stress testing of operational risk;



- on the results of the self-assessment of the operational risk and operational risk management of the Bank;
- on the results of forecasting the financial performance of the Bank in terms of the operational risk of the Bank;
- other information related to the operational risk of the Bank.

At least 4 times a year, the RMS reports on the level of operational risk to the Board of Directors of the Bank.

In the area of operational risk management, the RMS generates the following reports:

№ p/p	Reporting name	Governing bodies to whom reporting is provided	Periodicity
1	Operational risk analysis	Executive committee	monthly
		Board of Directors	At least once a quarter
2	Operational risk forecast	Executive committee, Board of Directors	At least once a year
3	Operational risk stress testing		
4	Self – assessment of operational risk management and opera- tional risk		

Control over the level of the Bank's operational risk by the Board of Directors and the Executive Committee of the Bank is carried out by quarterly submission of reports on operational risk by the RMS, in accordance with the Bank's internal documents.

### **Foreign exchange risk management.**

Currency risk - the risk of losses due to unfavorable changes in the rates of foreign currencies and / or precious metals on the positions opened by the Bank in foreign currencies and / or precious metals.

The Bank organizes a foreign exchange risk management system for the following purposes:

- avoidance of possible losses due to fluctuations in market prices;
- compliance with the requirements of the Bank of Russia to ensure the financial stability of the Bank;
- ensuring compliance with the legitimate interests of the Bank and its clients when working with foreign exchange instruments.

The main task of creating a currency risk management system is to maintain the Bank's open positions at a level that does not threaten its financial position.

Foreign exchange risk management - assessment of foreign exchange risks, control of financial transactions, allowing to fully or partially reduce the risk of losses arising in connection with the expected change in the exchange rate. The bodies in charge of foreign exchange risk management are the Department of Foreign Exchange Control and International Sales of the Bank - Vice President of the Bank (foreign exchange control).

The foreign exchange risk management process includes the following steps:

- identification of the content and assessment of the level of foreign exchange risk in connection with transactions with foreign currency;

- determination of sources and volumes of information required to assess the level of currency risk;
- selection and adoption of a method for minimizing currency risk.

The main methods of risk management in order to minimize them when conducting foreign exchange transactions are:

- forecasting rates;
- control of an open foreign exchange position;
- limiting.

The Bank can also use other methods, such as:

- hedging is a balancing transaction aimed at minimizing risk;
- diversification - distribution of assets and liabilities by various components;
- insurance.

Foreign exchange risk management is carried out by the Bank in accordance with the requirements of the Central Bank of the Russian Federation Instruction № 178-I dated 28.12.2016 "On setting the size (limits) of open foreign exchange positions, the methodology for calculating them and the specifics of supervising their observance by credit institutions" and includes:

- limiting open currency positions by limits;
- constant control (monitoring) of open foreign exchange positions.

Indicator	The value of the indicator as of 01.01.2021		The value of the indicator as of 01.01.2020	
	in thousand rubles	in % of capital	in thousand rubles	in % of capital
OEP, including	57 968.94	2.7053	58 024.78	2.7104
OEP euro	5 879.84	0.2744	8 742.21	0.4084
OEP Indian rupees	1 346.1596	0.0628	3 111.7116	0.1453
OEP U.S. dollars	50 742.9430	2.3681	46 170.8558	2.1567

The analysis of currency risk is carried out by the Bank's RMS at least once a month. At the same time, both quantitative and qualitative indicators of currency risk are taken into account: the ratio of the calculated currency risk as of the reporting date, the coefficient of the currency risk, the level of the Bank's currency activity in the foreign exchange market, the coverage ratio of currency transactions, potential income (loss), the number of violations of open exchange rate, the number of potential of revealed violations N1.0, indicator of stress testing of currency risk.

Daily monitoring of the value of the Bank's currency risk is carried out by the Accounting Department and the Bank's RMS in terms of the impact on the adequacy of the Bank's own funds (capital) N1.i2. If a trend of a critical increase in the amount of currency risk is detected, an employee of the Accounting Department or RMS brings this information to the attention of the Bank's management in order to take the necessary measures to minimize the amount of currency risk specified in the Policy on currency risk management in the Bank.

As of 01.01.2021, the Bank's foreign exchange risk is assessed as low.

The limits of open currency positions are approved in the Risk and Capital Management Strategy of the Bank, namely:



- the sum of all long (short) open exchange positions in certain foreign currencies does not exceed 20% of the Bank's capital on a daily basis;
- any long (short) open exchange position (OEP) in a separate foreign currency, as well as a balancing position in rubles, does not exceed 10% of the Bank's capital on a daily basis;
- OEP regulation through foreign currency purchase and sale transactions is carried out only with the largest Russian commercial banks.

Methods for reducing foreign exchange risk are actually methods of internal control and imply the following measures:

- separation of functions - conducting transactions, settlements on them and their accounting should be carried out by different employees;
- independent assessment of performance - the performance of an employee or unit should be assessed by independent units that are not interested in distorting the results.

The existence and effective functioning of the control system as a tool for managing banking risks is based on the following principles from among the principles of organizing internal control: comprehensiveness of internal control, coverage of all organizational structures and divisions of the Bank by control procedures, multilevel nature of internal control. IAS carries out inspections of foreign exchange risk management or its individual elements in accordance with the plan of its activities or on the instructions of management.

#### **Analysis of the impact of changes in exchange rates on the size of the financial results and equity (capital) of the Bank.**

The main goals and objectives of stress testing the Bank's currency risk are:

- assessment of the impact of changes in exchange rates on the size of the Bank's financial results;
- assessment of the impact of changes in exchange rates on the size of the Bank's own funds (capital);
- assessment of the financial stability of the Bank, the adequacy of its own funds (capital);
- determination of the Bank's currency risk;
- compliance of the Bank with the requirements of supervisory authorities

The main method of stress testing currency risk is scenario analysis. Within the framework of the scenario analysis of foreign exchange risk, the Bank determines the following scenarios for the occurrence of events or circumstances related to foreign exchange risk:

- moderate scenario - change in the official exchange rate of the ruble against foreign currency by 10%;
- stress scenario - a change in the official exchange rate of the ruble against foreign currency by 30%.

The impact of changes in exchange rates on the size of the financial results and equity (capital) of the Bank is determined on the basis of stress testing carried out on a quarterly basis.

As of 01.01.2021, the Bank has an excess of balance sheet assets in foreign currencies over balance sheet liabilities in foreign currencies in the amount of RUB 30,128 thousand.

If at the date of stress testing the Bank has an excess of balance sheet assets in foreign currencies over balance sheet liabilities in foreign currencies, stress testing is carried out according to the following scenario: moderate - an increase in the official exchange rate of the ruble against a foreign currency by 10%, stress - an increase in the official exchange rate of the ruble against a foreign currency by 30%. According to the data of form 0409101, due to the excess of the size of balance currency assets (2,266,199) thousand rubles over foreign exchange liabilities (2,236,071 thousand rubles), both scenarios will lead to an increase in financial results and equity (capital) of the Bank.



As of 01.01.2021, the Bank made a profit taking into account other comprehensive income in the amount of RUB 22,267 thousand. In accordance with stress testing scenarios: in the event of an increase in the ruble exchange rate by 10%, the profit will increase to 24,493.70 thousand rubles; in the event of an increase in the ruble exchange rate by 30%, the Bank will receive a profit in the amount of 28 947.10 thousand rubles.

As of 01.01.2021, the amount of the Bank's own funds (capital) according to the data of Form 0409123 amounted to 2,142,787 thousand rubles. In accordance with stress testing scenarios: in the event of an increase in the ruble exchange rate by 10%, the amount of capital will increase to 2,145,013.70 thousand rubles; in the event of an increase in the ruble rate by 30%, the amount of capital will increase to 2,149,467.10 thousand rubles.

As of 01.01.2021, the ratio of the Bank's equity (capital) adequacy ratio N1.0 according to the data of Form 0409135 amounted to 46.172%. In accordance with stress testing scenarios: in the event of a 10% increase in the ruble exchange rate, the Bank's equity (capital) adequacy ratio N1.0 will amount to 45.712%; in the event of a 30% increase in the ruble exchange rate, the Bank's equity (capital) adequacy ratio N1.0 will be 45.453%.

Stress test values of the equity capital adequacy ratio meet the requirements of the Bank's internal documents in the area of ICAAP, exceeding the lower threshold value of the Bank's equity capital adequacy ratio established by the Bank of Russia.

#### **Liquidity risk management.**

Liquidity risk - the risk of the Bank's inability to finance its activities, that is, to ensure the growth of assets and fulfill obligations as they fall due without incurring losses in an amount that threatens the financial stability of the Bank.

There are no significant changes in the organizational structure of the Bank in terms of liquidity risk management and liquidity risk factors as compared to the previous accounting (financial) statements.

##### The main objectives of the Bank's liquidity management:

- ensuring the Bank's ability to timely and fully fulfill its monetary and other obligations arising from transactions with the use of financial instruments;
- identification, measurement and determination of an acceptable level of liquidity
- determination of the Bank's need for liquid funds;
- constant monitoring of the liquidity state;
- taking measures to maintain the financial stability of the Bank and the interests of its creditors and depositors at a non-threatening level of liquidity risk.

In the process of liquidity management, the Bank is guided by the following basic principles, but not limited to them:

- daily and continuous liquidity management;
- the absence of contradictions between the applied methods and instruments for assessing liquidity risk with the regulatory documents of the Central Bank of the Russian Federation, the Bank's policy in the field of risk management;
- clear distribution of powers and responsibilities for liquidity management between governing bodies and divisions;
- setting limits to ensure an adequate level of liquidity and corresponding to the size, characteristics and financial condition of the Bank;
- the presence of a constant information flow about future receipts or write-offs of funds between the structural divisions and the Bank's RMS in order to form a payment calendar and plan the need for liquid funds;
- the conflict between liquidity and profitability is always resolved in favor of liquidity;
- each deal affecting the liquidity state is taken into account in calculating the liquidity risk;



- major transactions are preliminarily analyzed for their compliance with the current state of liquidity and established limits;
- forecasting the state of liquidity, taking into account scenarios of negative developments for the Bank of events related to the state of the market, the position of debtors, creditors and other factors affecting the state of the Bank's liquidity.

The emergence of liquidity risk can be caused by the following internal and external factors:

- mismatch of the terms of claims on active operations with the maturity dates on passive operations;
- reducing the amount of the Bank's own funds (capital) to the degree of approaching the discrepancy between the actual values of the Bank's mandatory liquidity ratios and the values established by Instruction № 180-I;
- a high degree of concentration of the Bank - a significant dependence on one sector of the financial market or on a small number of clients in terms of attracting deposits;
- loss of the Bank's reputation;
- a high degree of concentration of credit risk, that is, concentration of a large amount of loans issued to one borrower or a group of related borrowers;
- changes in the political and economic situation in the country, resulting in a decrease in demand for lending;
- loss of general confidence in the banking system, expressed in the outflow of deposits and deposits;
- manifestations of the consequences of an increase in credit risk (failure to fulfill, untimely or incomplete fulfillment by borrowers of financial obligations to the Bank);
- changes in the current legislation (if these changes affect the conditions for raising / placing funds in banks).

The liquidity risk management system is an integral part of the asset and liability management system and includes two main components:

- management of instant (short-term) liquidity carried out by the Department of Treasury Operations, International Settlements and Currency Control on an ongoing basis in real time;
- management of medium-term and long-term liquidity carried out by the Financial, Credit and Executive Committees of the Bank in order to achieve an optimal balance of risk and profitability.

The acceptable level of liquidity risk is determined by the Board of Directors of the Bank as part of the Bank's Risk Appetite. The Bank's Finance, Credit and Executive Committees use a system of indicators and liquidity risk limits in order to ensure the ability to cover both expected and non-expected cash outflows at any time. These indicators are calculated taking into account the scenario approach and include: analysis of liquidity gaps (gap analysis), liquidity ratios, resource base concentration ratios, and others.

The Bank establishes liquidity risk management procedures covering its various forms:

- risk of balance sheet liquidity;
- the risk of unforeseen liquidity requirements;
- market liquidity risk;
- funding risk

In the process of liquidity management, the Bank is guided by the following principles:

- liquidity management is carried out daily and continuously;
- clear division of powers and responsibilities for liquidity management;
- the absence of contradictions with the regulatory documents of the Central Bank of the Russian Federation of the applied methods and tools for assessing liquidity risk, policy in the field of risk management;



- ensuring the independence of the subdivision responsible for developing procedures for identifying, assessing, monitoring and controlling the level of liquidity risk, developing and implementing management reporting on liquidity risk from the subdivisions responsible for managing assets and liabilities;
- setting limits to ensure an adequate level of liquidity and appropriate to the size, nature of the business and the financial condition of the Bank;
- resolution of the conflict between liquidity and profitability in favor of liquidity;
- taking into account the liquidity risk of each transaction affecting the state of liquidity;
- strict consideration of the urgency of the source of resources and its volume when placing assets in various financial instruments;
- preliminary analysis of major transactions for their compliance with the current state of liquidity and established limits;
- implementation of planning the need for liquid funds.

Liquidity risk management procedures have been adapted in the ICAAP of the Bank through the application of coordinated regulations for actions of all departments and management bodies of the Bank in such a way that they do not create problems for the implementation of procedures for managing other risks of the Bank and its capital. Such consistency of the Bank's risk and capital management procedures is regularly checked by the Bank's IAS within the framework of assessing the effectiveness of the ICAAP.

As part of risk management of unforeseen liquidity requirements:

- The Bank maintains at a sufficient level the ability to compensate for arising liabilities at the expense of the expected inflow of assets and a comfortable level of available capital (the level of the Bank's equity (capital), at which the ratios of equity (capital) adequacy N1.0 will be higher than those established by the Central Bank of the Russian Federation);
- The Bank discloses information about the Bank's liquidity and its need for financing in the event of various scenarios as part of management reporting in the area of ICAAP (stress testing) to the Bank's participants in order to inform the latter for the possible attraction of additional liquidity (cash).

Within the framework of the liquidity funding risk, the following levels of its measurement and planning can be distinguished:

- structural liquidity risk - associated with the consideration of long-term or strategic liquidity indicators for a period of more than one year (for its assessment, ratios and gaps (gaps) are calculated, funding sources are considered, etc.);
- tactical liquidity risk - conceptually inseparable from the previous risk, but establishes a short-term (operational) aspect of cash flow and intraday liquidity management (cash and collateral management);
- unforeseen (accidental) liquidity risk - includes stress testing using sensitivity analysis and / or scenario modeling in order to determine liquidity ratios in the event of implementation of unlikely but plausible crisis circumstances with the choice of an appropriate adequate algorithm of actions, as well as in order to create the necessary "cushion" "Liquid assets (standard of instant liquidity N2).

Liquidity risk analysis is carried out for all the Bank's operations and allows to determine possible periods and reasons for a potential liquidity shortage.

Liquidity risk management consists of the following stages:

- identification of liquidity risk;
- analysis (assessment) and monitoring of liquidity risk;
- control to minimize liquidity risk.

To achieve the goals and solve problems in liquidity risk management, the Bank uses the following methods:



- system of powers and decision-making;
- information system;
- liquidity risk control system;
- organizing access to the markets for resources and consumers of the Bank's services.

In order to minimize the liquidity risk, the Bank uses the following methods:

- regulation of operations subject to liquidity risk (defined in the relevant regulatory internal documents of the Bank in relation to all divisions);
- limiting;
- requirements for equity (capital) and maintenance of the Bank's capital adequacy in relation to liquidity risk.

Responsible persons for managing the current and intraday payment position are the Deputy President (operations and reporting) and the head of the Treasury Operations, International Settlements and Currency Control Department (hereinafter - Responsible Persons). All information on the movement of cash flows in the currency of the Russian Federation and in foreign currency is available daily online in the Diasoft ABS.

Periodic review of the liquidity state within the framework of current liquidity risk management is carried out as required by the RMS of the Bank - the current and forecast state of short-term liquidity is monitored based on the forecast of the need for resources in the short-term period.

The Bank's assets and liabilities are managed by the Bank's Executive Committee. The main goal of asset and liability management (hereinafter referred to as the method of managing the liquidity of the Bank's balance sheet) is to maintain such a state of the structure of the Bank's assets and liabilities by type and maturity, which would allow the Bank to:

- ensure timely fulfillment of obligations;
- satisfy customers' demand for credit resources;
- maintain a reputation among clients and counterparties of the Bank as a reliable financial institution paying special attention to liquidity risk management.

The method of managing the liquidity of the Bank's balance sheet includes:

- analysis of the Bank's liquidity indicators;
- analysis of the gap in the maturity of claims and liabilities, grouped by maturity;
- setting appropriate limits and rates for raising / placing funds for individual instruments and (or) terms;
- development of scenarios and measures to restore the Bank's liquidity;
- control over the implementation of the established procedures for liquidity risk management.

If the value of the liquidity deficit ratio falls below the established limit, the Bank takes appropriate measures to manage liquidity, as reflected in the Bank's internal documents in the area of ICAAP.

When managing foreign exchange assets and liabilities, the limitation of the amount of foreign exchange liquidity of the OVP Bank is taken into account, and to coordinate foreign exchange assets and liabilities by maturity, a payment calendar of cash flows is used, which allows you to buy / sell the required currency in advance.

Liquidity gaps are used to assess the funding liquidity risk. The calculation takes into account the amount of funds that the Bank can raise in the shortest possible time to fund its liabilities. The risk of funding liquidity is closely related to the interest rate risk, since the inability to raise funds can be viewed as a sharp rise in interest rates on attracted resources. Thus, the indicators characterizing the interest rate risk can serve as an indirect assessment of the funding liquidity risk.

In the process of analyzing liquidity risk, an analysis of the Bank's dependence on operations in the interbank market, operations of large customers and concentration of credit risks is carried out. In order to minimize this risk, the Bank strives to maintain a stable resource base, consisting mainly of deposits of legal entities, deposits of the population and funds of other banks.

The Bank maintains a liquidity level sufficient to meet all the requirements of the Bank of Russia, and also exercises control over compliance with liquidity risk limits and control over the Bank's instrument portfolios in order to identify new forms of risk concentration not covered by liquidity risk management procedures (established by the system of liquidity risk limits).

Control over compliance with the liquidity ratios established by the Bank of Russia is primarily exercised on a daily basis by the Bank's Accounting and Reporting Department. The calculated liquidity ratios of the Bank show that the current values are an order of magnitude higher than the standard level, which reflects the Bank's ability to ensure the fulfillment of its existing obligations to customers. As of 01.01.2021, their values according to the data of section I of form 0409813 were:

- the instant liquidity ratio (N2) was fulfilled by 329.395% (as of 01.01.2020 - 194.056%), with the minimum standard value of the Bank of Russia being 15%;
- the current liquidity ratio (N3) was fulfilled by 219.438% (as of 01.01.2020 - 357.333%), with the minimum standard value of the Bank of Russia being 50%;
- the long-term liquidity ratio (N4) was fulfilled by 18.851% (as of 01.01.2020 - 24.839%), with the maximum normative value of the Bank of Russia being 120%.

Thus, the liquidity risk is limited in the Bank by the mandatory liquidity ratios (N2, N3 and N4), as well as by the approved limits on the accumulated gap ratio for various periods remaining to maturity (demand) according to the data of Form 0409125, which is presented in the following table.

Indicator name	As of 01.01.2021				
	TOTAL ASSETS	TOTAL LIABILITIES	Off-balance sheet commitments and guarantees issued by the Bank	EXCESS(DEFICIENCY) OF LIQUIDITY	LIQUIDITY EXCESS(DEFICIENCY) RATIO
	In thousand rubles				in %
Up to/over and for 1 day	3 237 617	949 633	0	2 287 984	240.93
Up to 5 days	3 237 617	949 633	0	2 287 984	240.93
Up to 10 days	3 237 617	949 633	0	2 287 984	240.93
Up to 20 days	7 298 418	1 972 487	0	5 325 931	270.01
Up to 30 days	7 306 377	2 932 560	0	4 373 817	149.15
Up to 90 days	7 315 396	4 685 193	64 684	2 565 519	54.76
Up to 180 days	7 325 702	5 427 630	73 984	1 824 088	33.61
Up to 270 days	7 341 575	5 657 655	82 233	1 601 687	28.31
Up to 1 year	7 371 178	5 873 738	112 865	1 384 575	23.57
Over 1 year	7 696 728	5 944 250	253 514	1 498 964	25.22

According to the data in the table of form 0409125, the Bank has a surplus of liquid funds for all maturities remaining to maturity (demand).

In carrying out the activities of the Bank, conflicts of interest may arise between the liquidity and profitability of the Bank. The occurrence of this problem can be identified by the RMS or IAS. In the event of a conflict of interest, this issue should be submitted for consideration by the Executive Committee of the Bank at the next scheduled or unscheduled meeting. When making decisions, the Executive Committee of the Bank resolves the conflict between liquidity and prof-



itability in favor of liquidity (the result may be a proposal to change the structure of assets and liabilities to the Executive Committee of the Bank).

The Bank's liquidity risk as of 01.01.2021 is assessed as *low*, there is a positive result for the Bank of liquidity risk monitoring (indicators of early warning of liquidity risk are at a low level), no need to take urgent measures to reduce the Bank's liquidity risk and preserve capital, all limit violations were not identified, the Bank's mandatory ratios are being met, the Bank's liquidity cushion (H2 ratio) was 329.395% with an admissible minimum of 20%.

In order to maintain liquidity, as of 01.01.2021, the Bank has deposits placed with the Bank of Russia in the amount of 4,055,000 thousand rubles, and also has the ability to raise funds from the State Bank of India.

The Bank conducts stress testing of liquidity risk at least once a year.

The main goals and objectives of stress testing the Bank's liquidity risk are:

- assessment of the financial stability of the Bank, the adequacy of its own funds (capital);
- determination of the level of the Bank's liquidity risk in order to determine the materiality of the liquidity risk, as well as planning the liquidity risk as part of the Bank's Risk Appetite.

The main method for conducting stress testing of liquidity risk is a method using analytical approximation of the functions for calculating the values of risk factors, which makes it possible to apply simplified methods of analysis (delta-normal method for assessing VaR).

As part of this stress testing method, an analysis of the liquidity state is carried out using scenarios of a negative development of events for the Bank, namely, a forecast of factors, an increase in rates (an upward shift of interest rates by 10% relative to the base date, a decrease in the dollar exchange rate by 5% relative to the base date, a decrease in stock indices by 15% relative to the base date, an increase in the probability of default by 10% relative to the base date) and an increase in volatility (an increase in the volatility of interest rates by 1.5 times, an increase in the volatility of the dollar exchange rate by 2 times, an increase in the volatility of stock indices by 2.5 times, an increase in volatility default probability by 1.5 times).

According to the conducted stress testing of liquidity risk as of 01.01.2021, the following results were obtained: all considered scenarios of stress testing of liquidity risk, in general, are not critical for the Bank. The amount of losses, which will exceed the expected losses of the banking portfolio by 5% during 2021, provided that the current trends in the macro- and microeconomic market conditions persist, will amount to 15,131.61 thousand rubles; in general, not counting the liquidity risk in relation to interbank lending operations for a period of "from 181 to 360 days" and accounts of legal entities for a period of "from 31 to 90 days", the liquidity risk is not high for the Bank's active and passive portfolios.

#### **Concentration risk management.**

Concentration risk is the risk arising from the Bank's exposure to major risks, the realization of which may lead to significant losses that could threaten the Bank's solvency and its ability to continue as a going concern.

The main goal of concentration risk management is to maintain an acceptable, non-threatening solvency of the Bank, the level of concentration risk and ensure timely control and response to the likelihood of major risks.

The Bank is guided by the following principles in the area of concentration risk management:

- separation of powers and responsibilities for concentration risk management between governing bodies and departments;
- setting limits to ensure an adequate level of concentration risk and corresponding to the size, nature of the business and the financial condition of the Bank;



- stress analysis of negative options for the occurrence of risk cases, assessment of the system for responding to this risk;
- improvement of mechanisms and methods of concentration risk management.

Concentration risk management consists of the following steps:

- identification and assessment (analysis) of concentration risk;
- monitoring and control of concentration risk;
- regulation of concentration risk.

Risk concentration - concentration of claims (liabilities), positions on financial instruments relative to an individual client or a group of related clients, as well as clients belonging to certain sectors of the economy or to geographic regions, countries, as well as relative to a financial instrument, currency type and other characteristics of positions under a risk that can lead to sufficiently large losses (in relation to the amount of the bank's regulatory or economic capital, the amount of assets, liabilities or the general level of risk) and pose a threat to the financial condition of the bank or its ability to carry out core activities.

For the purpose of efficient management of concentration risk and compliance with the established limits, the Bank has organized a system for monitoring transactions with financial instruments subject to concentration risk.

When assessing concentration risk, the Bank uses the following components: the concentration indicator of the loan portfolio, the ratio of the total amount of the Bank's claims to the 30 largest counterparties to the total amount of assets, the ratio of the total amount of the Bank's claims to the 30 largest counterparties to its own funds (capital), the ratio of the total the amount of funds of large creditors (10 counterparties) to the total amount of liabilities, the indicator of the concentration of liabilities with a term "on demand" in the borrowed funds, the indicator of the concentration of debt on credit claims by geographic zones, the indicator of debt concentration on credit requirements by economic sectors, the indicator of the Bank's dependence on certain types of income, the standard for the maximum amount of risks per borrower or a group of related borrowers (N6), the standard for the maximum size of large credit risks (N7), the indicator for the concentration of risk on owners, the indicator stress testing of concentration risk, an indicator of the concentration of the volume of claims on counterparties denominated in one currency, etc. These components of concentration risk assessment allow making management decisions in relation to banking products for clients. In order to assess the level of concentration risk of the Bank, taking into account the relationship between certain types of risks, a set of internal indicators of concentration risk is used.

In 2020, the standard for the maximum amount of risks per borrower or a group of related borrowers (N6) decreased by 0.14% (the maximum allowable value is 25%) and as of 01.01.2021 amounted to 5.87%; the standard for the maximum size of large credit risks (N7) decreased by 22.565% (the maximum allowable value is 800%) and as of 01.01.2021 amounted to 0.00%.

Indicator of the Bank's dependence on certain types of income (negative values are recorded as zero).

Borrower's name/OKATO code	Value	
	As of 01.01.2021	As of 01.01.2020
Net interest income	180 892.00	249 379.00
Fee and commission income	12 892.00	12 931.00
Net income from foreign exchange transactions	22 432.00	27 973.00
Net income from transactions with securities measured at fair value through other comprehensive income	45 556.00	1 537.00
Net income from transactions with securities measured at amortized cost	0.00	3 330.00



Net income from foreign currency revaluation	9 879.00	0.00
Other operating income	964.00	89 702.00
<b>Total:</b>	<b>272 615.00</b>	<b>384 852.00</b>
Net interest income	66.35%	64.80%
Fee and commission income	4.73%	3.36%
Net income from foreign exchange transactions	8.23%	7.27%
Net income from transactions with securities measured at fair value through other comprehensive income	16.71%	0.40%
Net income from transactions with securities measured at amortized cost	0.00%	0.87%
Net income from foreign currency revaluation	3.62%	0.00%
Other operating income	0.35%	23.31%
Herfindahl- Hirschman index(HHI)	47.85%	48.07%

According to the table, for 2020, the Bank's dependence on certain types of income decreased by 0.22%, mainly due to an increase in net income from operations with securities measured at fair value through other comprehensive income by 44,019.00 thousand rubles.

As of 01.01.2021, the concentration risk is assessed as low, the possibility of the Bank to incur potential losses that could significantly worsen its financial condition and arising in connection with the concentration of activities in certain types of activities and sectors of the economy, as well as with certain borrowers in general for the Bank is small.

Concentration risk minimization involves the implementation of a set of measures aimed at reducing the likelihood of occurrence of events or circumstances leading to losses, and (or) at reducing (limiting) the amount of potential losses. The Bank has developed certain methods for regulating concentration risk.

Reservation. The most effective method to reduce the level of concentration risk for various portfolios of the Bank is reservation. This method is aimed at protecting the interests of depositors, creditors and participants, while improving the quality of portfolios and the reliability of the Bank. Reservation is carried out with the aim of avoiding losses by assessing the risks for all transactions subject to reservation.

Limiting. By setting limits, the Bank manages to avoid critical losses due to reckless concentration of any type of risk, as well as diversify its loan portfolio and ensure stable income. Limits are expressed both in absolute limit values and in relative terms.

Other methods to reduce the level of concentration risk that the Bank can use:

- an increase in the Bank's own funds (capital);
- diversification of the loan portfolio, carried out by distributing loans to various categories of borrowers, terms of provision, types of collateral, by industry basis (allows the Bank to ensure the possibility of reimbursing credit losses at the expense of the borrower's property, acting as collateral for the loan);
- conducting operations (transactions) aimed at transferring part of the concentration risk to a third party, selling the Bank's assets (loan portfolios and other assets);
- carrying out work on early repayment of loans granted to a borrower or a group of related borrowers in order to promptly reduce the risk of concentration;
- development and implementation of new banking products and services in order to attract new customers and reduce the risk of concentration of large creditors;
- reducing the risk of concentration by tightening the credit policy in terms of reducing the limits for one borrower (group of related borrowers) and (or) industry limits (if established), reducing other limits on concentration on the placement of funds;
- conducting a more in-depth analysis of the creditworthiness of counterparties in relation to operations (transactions) with which there is an increased concentration risk;

- attraction of additional collateral for counterparties with significant concentration in the Bank's assets.

If a high level of concentration risk is identified, the Bank's management bodies, within the framework of their powers, take appropriate measures to reduce the level of risk concentration.

Concentration risk stress testing is applied in relation to the amount of concentration risk (indicators of concentration risk) of the Bank for a calendar year. The main method of stress testing the level of concentration risk is scenario analysis (based on hypothetical events).

As part of the modeling method (scenario analysis) of the concentration risk level, as of 01.01.2020, the Bank has identified the following Scenarios for the occurrence of events or circumstances related to the concentration risk:

- growth of net interest income by 30%, decrease in capital by 10%;
- an increase in the concentration of debt on credit claims by geographic zones by 25%, an increase in the ratio of the total amount of the Bank's claims to the 30 largest counterparties to equity (capital) by 30%, a decrease in capital by 10%;
- an increase in the concentration of liabilities with a term "on demand" in borrowed funds by 25%, an increase in the concentration of the loan portfolio by 30%, a decrease in capital by 10%.

According to the results of the stress testing of the concentration risk as of 01.01.2020, the level of the latter will be at an average level, the capital level is sufficient, and no threat to the Bank's financial stability has been identified.

The body responsible for the implementation of the concentration risk management policy is the Executive Committee of the Bank. The Bank's RMS is responsible for compliance with the requirements of this Policy and the procedures provided for therein. The responsibility for carrying out inspections of compliance with the procedures established by this Policy rests with the Bank's IAS.

Control over compliance with the established rules and procedures in relation to concentration risk management is carried out within the framework of the Bank's internal control system. With regard to concentration risk control, the most important are:

- control over compliance with the established limits for ongoing banking operations and other transactions;
- compliance with the established procedure for access to information and material assets of the Bank.

The Bank has developed +designed to inform the management bodies and monitor compliance with the concentration risk policy.

Reporting name	Executive Committee, Board of Directors
	Submission timeline
Concentration risk analysis	At least 4 times a year
Concentration risk stress testing	At least 1 times a year
Concentration risk level forecast	At least 2 times a year
Concentration risk management self-assessment	At least 1 times a year

The reporting system is designed to provide management bodies and heads of departments with a volume of information sufficient to make appropriate management decisions. Information on the monitoring results is communicated to the Board of Directors and the Executive Committee of the Bank as part of the RMS reporting.

#### **Legal risk management.**

Legal risk - the risk of the Bank incurring losses due to:



- non-compliance by the Bank with the requirements of regulatory legal acts and concluded agreements;
- legal errors made in the implementation of activities (incorrect legal advice or incorrect preparation of documents, including when considering controversial issues in the judicial authorities);
- imperfection of the legal system (inconsistency of legislation, lack of legal norms to regulate certain issues arising in the course of the Bank's activities);
- violation by counterparties of regulatory legal acts, as well as the terms of concluded contracts.

A distinguishing feature of legal risk from other banking risks is the ability to avoid the emergence of a dangerous level of risk for the Bank, provided that the parties to the banking process fully comply with applicable laws and regulations, internal documents and procedures of the Bank.

The Bank organizes a legal risk management system for the following purposes:

- ensuring the legitimacy of their activities in all areas;
- ensuring the observance of their legitimate interests when concluding transactions and fulfilling the terms of contracts;
- establishment of legal reasons for the relationship between the Bank and its employees, compliance with labor legislation, standards of professional ethics of the Bank by its employees.

The main tasks of creating a legal risk management system are:

- organization of legal risk management on a unified basis;
- involvement in the procedures for managing legal risk of all departments and employees who can prevent its occurrence;
- establishing uniform principles for identifying, assessing and controlling legal risk, which are necessary and sufficient to comply with the interests of the Bank in the legal field.

The subjects of the legal risk management system are:

- Board of Directors;
- President;
- Executive Committee;
- RMS;
- Legal Department;
- Responsible person for combating legalization (laundering) of proceeds from crime and financing of terrorism;
- IAS;
- ICS;
- Heads of structural divisions of the Bank.

The emergence of legal risk can be due to both internal and external factors.

Internal factors of legal risk occurrence include:

- non-compliance by the Bank with the legislation of the Russian Federation, including the identification and study of customers, the establishment and identification of beneficiaries (persons for the benefit of whom the customers act), the constituent and internal documents of the Bank;
- inconsistency of the Bank's internal documents with the legislation of the Russian Federation, as well as the Bank's inability to timely bring its activities and internal documents in line with changes in legislation;
- ineffective organization of legal work, leading to legal errors in the Bank's activities due to the actions of employees or management bodies of the credit institution;

- violation by the Bank of the terms of agreements;
- insufficient study by the Bank of legal issues in the development and implementation of new technologies, conditions for conducting banking operations and other transactions, financial innovations and technologies;
- legal errors in the Bank's internal documents regulating management processes, in contracts, agreements and other external documents regulating the Bank's interaction with customers and counterparties.

External factors for the occurrence of legal risk include:

- imperfection of the legal system (lack of sufficient legal regulation, inconsistency of the legislation of the Russian Federation, its susceptibility to changes, including in terms of imperfection of methods of state regulation and (or) supervision;
- incorrect application of the legislation of a foreign state and (or) the norms of international law, the impossibility of resolving certain issues through negotiations and, as a result, the Bank's appeal to the judicial authorities for their settlement;
- violation by clients and counterparties of the Bank of the terms of agreements;
- the location of the Bank, customers and counterparties under the jurisdiction of various states.

The legal risk management system is organized by the Bank in three stages:

- preliminary;
- current;
- subsequent.

The preliminary stage is a system of administrative, organizational and financial measures to prevent the occurrence of legal risk until the Bank enters into a contractual relationship. This system also includes a set of measures to prevent offenses by the Bank's employees.

The current stage consists of identifying, analyzing and assessing emerging risks, as well as ongoing monitoring of the state of the level of legal risk.

The subsequent stage consists of an analysis of the shortcomings in the organization of the system, which led to the emergence of risks, recommendations for its optimization and control of its effectiveness.

The RMS, together with the Legal Department, coordinates the Bank's work to identify, measure, assess the level of legal risk and monitor the legal risk management system. On serious issues of organizing the monitoring system and (or) in case of emerging threats to the Bank due to an increase in legal risk, the RMS and / or the Legal Department are obliged to report to the Bank's management.

The Bank makes a legal assessment of claims received by the Bank and takes the necessary measures to protect its legitimate interests.

In order to minimize legal risk, the identification and collection of data on legal risk factors is carried out on an ongoing basis. On the basis of the information received, an analytical database on incurred losses is formed, which reflects information on the types and amounts of legal risk losses.

The Bank applies such methods (methods) to minimize the level of legal risk, such as:

- standardization of banking operations and other transactions (procedures, procedures, technologies for carrying out operations and transactions, concluding agreements);
- analysis of the influence of legal risk factors on the Bank's performance indicators;
- monitoring on an ongoing basis changes in the legislation of the Russian Federation, legislation of the countries in which the Bank conducts or plans to carry out operations;
- coordination of actions to identify, classify and assess legal risk;
- subordination of the Bank's Legal Department to the sole executive body;
- subordination of the Bank's RMS to the sole executive body



- optimization of the workload on the staff of the Legal Department, which ensures continuous professional development;
- ensuring access of the maximum number of employees to up-to-date information on legislation.

The Bank carries out stress testing of legal risk both on a comprehensive basis (as part of aggregated stress testing at least once a year) and on an individual basis (at least 2 times a year). The main goals and objectives of stress testing the level of the Bank's legal risk are:

- assessment of the financial stability of the Bank, the adequacy of its own funds (capital);
- determination of the level of the Bank's legal risk in order to determine the materiality of the legal risk, as well as planning the legal risk as part of the Bank's Risk Appetite;
- compliance of the Bank with the requirements of the Bank of Russia.

Stress testing is applied to the indicators of the Bank's financial performance. The main method of stress testing the level of legal risk is scenario analysis (based on hypothetical events). As part of the method of modeling (scenario analysis) of the level of legal risk, the Bank uses the Scenario of occurrence of events of realization of legal risk - a decrease in the Bank's equity (capital) by 15% due to the implementation of payments in court proceedings (transactions with bank guarantees). Also, the Bank may determine other Scenarios of possible implementation of the Bank's legal risk (based on the results of comprehensive stress testing, analysis of legal and / or operational and / or risks of loss of the Bank's business reputation).

The procedure and frequency of preparation of reports on legal risk are reflected in the Risk and Capital Management Strategy of the Bank. Legal risk reporting is prepared by the Bank's RMS in accordance with the requirements of the Bank of Russia.

Reporting name	Procedure for providing
Legal risk analysis	<ul style="list-style-type: none"> <li>– to the President and the Executive Committee)- on a quarterly basis( in case of significant losses - immediately);</li> <li>– to the Board of Directors- at least once a year (based on the results of the last year in the first quarter of the current year);</li> <li>– to the bank's internal control services- on a quarterly basis( immediately upon the occurrence of significant losses).</li> </ul>
Legal risk stress testing	at least once a year

ICAAP reporting includes, but is not limited to, the following information:

- on the revealed facts of the implementation of the legal risk;
- on the measures taken to eliminate the identified cases of realization of the Bank's legal risk;
- on the facts of violation by the Bank's subdivisions of the established limits and the achievement / failure of the signal values in relation to the legal risk, as well as the measures taken to resolve the identified violations<sup>2</sup>;
- on the level of the Bank's legal risk;
- other information related to the legal risk of the Bank.

As of 01.01.2021, the level of legal risk is assessed as increased.

Reputation risk management.

The risk of loss of business reputation

<sup>2</sup> In case of setting limits and signal values in relation to indicators of the Bank's legal risk

(reputation risk) is the risk of loss of liquidity or capital by the Bank due to the narrowing of the client base due to the formation in society of a negative perception of the Bank's stability, the quality of the services (products) provided and the nature of the Bank's activities in general.

The reputation of the Bank is a public assessment of its merits and demerits, which develops under the influence of a variety of factors. Reputation is the basis for a client's choice of a servicing bank.

The constituent parts of the Bank's business reputation are:

- Trust in the Bank;
- Reputation of the Bank's top officials;
- Social position of the Bank;
- Service quality;
- Attitude of the staff towards the client;
- Advertising policy;
- Relations with the state, reputable (socially significant) clients.

Organization of the risk management system for the loss of business reputation in the Bank consists of three main areas:

- system of measures to prevent the occurrence of risk factors (preventive measures);
- system of measures to identify, analyze and assess risk factors (current measures);
- a system of optimization measures, including the elimination of identified risk factors (follow-up measures).

To identify risks of loss of business reputation, the Bank uses statistical and indicative methods.

The statistical method consists in the accumulation, systematization of internal and external information about the Bank and in the analysis of the causes of negative information about the Bank. The indicative method consists in building a system of risk indicators that are taken into account in the overall risk assessment.

The RMS and / or the Legal Department of the Bank monitors all messages in print and electronic media related to its activities or the activities of its clients.

The RMS maintains a database of such messages as part of the analytical database of the Bank's operational risks.

For the purpose of monitoring the risk of loss of business reputation, the Bank determines in its internal documents:

- procedure for monitoring the risk of loss of business reputation;
- the procedure and timeliness of responding to proposals received by the Bank from participants, customers and counterparties, as well as other interested parties.

Responsibility for the development and implementation of principles for managing the risk of loss of business reputation is vested in the Board of Directors in accordance with its powers determined by the Charter. Control over the monitoring of the business reputation risk management system is assigned to the Bank's RMS.

The RMS consolidates, systematizes and analyzes the information received from the Bank's divisions. The RMS, together with the Legal Department, develop recommendations to optimize the level of risk of loss of business reputation. Reputational risk is managed by the Board of Directors and the Executive Committee of the Bank.

The procedure and frequency of reporting on reputational risk are reflected in the Risk and Capital Management Strategy of the Bank. Reputation risk reporting is prepared by the Bank's RMS in accordance with the requirements of the Bank of Russia.

ICAAP reporting includes, but is not limited to, the following information:

- on the revealed facts of the reputational risk realization;
- on the measures taken to eliminate the identified cases of realization of the Bank's reputational risk;



- on the facts of violation by the Bank's divisions of the established limits and the achievement / non-achievement of signal values in relation to reputational risk, as well as measures taken to resolve the identified violations<sup>3</sup>;
- on the level of the Bank's reputation risk;
- other information related to the Bank's reputational risk.

Reporting name	Procedure for providing
Analysis of the risk of loss of business reputation	<ul style="list-style-type: none"> <li>– to the President and the Executive Committee- on a quarterly basis( in case of significant losses - immediately);</li> <li>– to the Board of Directors- at least once a year (based on the results of the last year in the first quarter of the current year);</li> <li>– to the bank's internal control services- on a quarterly basis( immediately upon the occurrence of significant losses).</li> </ul>

As of 01.01.2021, the level of risk of loss of business reputation was assessed as increased.

#### **Country risk management.**

Country risk (including the risk of non-transfer of funds) is the risk of the Bank incurring losses as a result of non-fulfillment by foreign counterparties (legal entities, individuals) of obligations due to economic, political, social changes, as well as due to the fact that the currency of the monetary obligation may not be available to the counterparty from - for the peculiarities of national legislation (regardless of the financial position of the counterparty itself).

The goal of country risk management is to maintain the country risk assumed by the Bank at the level determined by the Bank in accordance with its own strategic objectives. The priority is to ensure maximum safety of assets and capital.

The emergence of country risk may be due to both internal and external reasons that do not depend on the financial position of the counterparty (client) of the Bank. Country risk depends on the political and economic stability of the client countries, counterparty countries, importers or exporters working with the Bank.

The organization of the country risk management system consists of three main areas:

- system of measures to prevent the occurrence of risk factors (preventive measures);
- system of measures to identify, analyze and assess, and monitor risk factors (current measures);
- a system of measures to minimize the identified country risk factors (follow-up measures).

For the purpose of identifying and assessing signs of country risk occurrence, the Bank applies one of the ratings of international rating agencies (Standart & Poor's, Moody's and Fitch Ratings), the change in the state and size of which in each specific case means the emergence of a different characteristic of a specific direction of the Bank's activities and, accordingly, the Bank has accepted a qualitatively different country risk. The main purpose of the ratings is to ensure that an appropriate management decision is made in relation to a certain area of the Bank's activities to reduce the impact of country risk on the Bank as a whole.

Country risk monitoring includes:

- study of the legislation of the counterparty countries;
- tracking information about foreign counterparties;
- study of the ratings of counterparty countries, macroeconomic conditions for the existence of their financial environment;
- advanced training of personnel on country risk issues;

<sup>3</sup> In case of setting limits and signal values in relation to indicators of the Bank's reputation risk

– monitoring compliance by employees with their job responsibilities for country risk management.

Analysis and assessment of the Bank's country risk, as well as control over the monitoring of the country risk management system is entrusted to the Bank's RMS. The bank can set country limits that restrict transactions with counterparties that are residents of other countries.

As of 01.01.2021, the country risk is assessed as moderate.

#### **Strategic risk management.**

Strategic risk is the risk of the Bank incurring losses as a result of errors (shortcomings) made when making decisions that determine the strategy of the Bank's activity and development (strategic management) and are expressed in neglect or insufficient consideration of possible dangers that may threaten the Bank's activities, incorrect or insufficiently substantiated determining promising areas of activity in which a credit institution can achieve an advantage over competitors, the absence or incomplete provision of the necessary resources (financial, material and technical, human) and organizational measures (management decisions), which should ensure the achievement of the strategic goals of the Bank's activities.

The organization of the strategic risk management system consists of three main areas:

- system of measures to prevent the occurrence of risk factors (preventive measures);
- systems of measures to identify, analyze and assess risk factors (current measures);
- a system of optimization measures, including the elimination of identified risk factors (follow-up measures).

The interaction of divisions in order to identify and assess strategic risk is carried out within the framework of their functions, as well as their functional responsibilities, job descriptions and role in the process of managing the Bank's activities.

When identifying strategic risk, the Bank uses statistical and indicative methods. The statistical method consists in the accumulation and systematization of internal and external information about the Bank and its managers. The indicative method consists in building a system of risk indicators that are taken into account in the overall risk assessment.

In order to minimize strategic risk, the Bank monitors changes in the organizational structure of the Bank and analyzes the processes actually developing during the course of work in order to identify areas of potential conflicts of interest. The RMS maintains a dossier to investigate all cases of identifying a conflict of interest.

The main directions of the Bank's strategic risk regulation are the development and implementation of measures to prevent or minimize losses associated with it. This presupposes the creation of a strategic risk management system, that is, the foundations of a decision-making policy in such a way as to timely and consistently use all the development opportunities of the Bank and at the same time keep risks at an acceptable and manageable level.

The Bank focuses in its activities on the following methods of strategic risk management:

- the procedure for monitoring strategic risk;
- the system of powers of the strategic risk management bodies.

Responsibility for the development and implementation of the principles of strategic risk management is vested in the Board of Directors of the Bank in accordance with its powers determined by the Charter of the Bank.

The Bank organizes a system of protective measures to prevent the actions of third parties to involve employees in illegal actions.

Control over the monitoring of the strategic risk management system is assigned to the Bank's RMS.

In order to conduct an effective analysis and take measures to minimize strategic risk, the Bank, in accordance with the directions of its activities, creates and maintains an analytical data-



As of 01.01.2021, the total amount of funds attracted from the State Bank of India amounted to USD 10 million, maturity date 14.05.2021, interest rate 0.7 and USD 10 million, maturity date 03.03.2021, interest rate 0.67. As of 01.01. there are no funds raised.

During the reporting period, the movement in the section of attracted funds is associated with the return of deposits due to the expiration of the term and the attraction of resources from related parties for new terms.

The conditions for raising funds did not differ significantly from the conditions for conducting operations (transactions) with other counterparties in terms of the timing of raising funds.

The cost of raising funds from the State Bank of India and Canara Bank is established by agreements, is revised once every 6 months and is calculated as a six-month LIBOR (USD) rate plus 100 percentage points.

The balances on the correspondent accounts of the participants were:

Account type	01.01.2021		01.01.2020	
	Number of accounts	Balance	Number of accounts	Balance
<b>NOSTRO accounts</b>	<b>4</b>	<b>860 319</b>	<b>4</b>	<b>28 215</b>
Including in US dollars	1	843 998	1	3 714
<b>LORO accounts</b>	<b>2</b>	<b>225 974</b>	<b>1</b>	<b>93 501</b>
Including in Russian rubles	2	225 974	1	93 501

All funds raised from related parties are not secured.

There are no investments in securities, subordinated loans, offsetting obligations, guarantees provided and received, and there are no written off amounts of uncollectible receivables from related parties. There are no overdue payments on principal and interest, and no dividends have been paid.

There are no other significant incomes and expenses from transactions (transactions) with parties related to the Bank.

Below are the items of income and expenses on transactions with participants:

Income and expenses	Data for 2020	Data for 2019
interest income from interbank operations	2 082	12 856
interest expenses on interbank borrowing operations	8 329	21 967
Fee and commission income	472	218

Key management personnel are members of the Board of Directors and members of the Executive Committee.

According to the Bank's policy, all transactions with related parties are carried out on the same terms (including with respect to the terms and conditions of settlement (completion) of these transactions) as the Bank's transactions with independent parties. Loans were provided / deposits were attracted on market conditions, there are no special conditions for transactions with related parties, rates of placement / attraction of funds on these transactions corresponded to market rates, as well as rates of the Bank's conclusion of these transactions with other independent parties. Transactions with related parties involve predominantly non-cash settlements.

#### Information on remuneration for key management personnel of the Bank.

Name	Data for 2020	Data for 2019
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Short-term remuneration to the Executive Committee	18 199	17 295
Short-term remuneration to the Board of Directors	7 081	10 758

In connection with the entry into force of the Bank of Russia Regulation № 465-P dated April 15, 2015, the Bank recognizes liabilities for the accumulated paid vacations of employees.

The table below presents an analysis of the change in liabilities for the accumulated paid leave of employees in 2020 and in 2019:

Article title	Obligations to reserve upcoming vacations
<b>Data as of 01.01.2019</b>	<b>0</b>
accrued	3 860
restored	(5 929)
<b>Data as of 01.01.2020</b>	<b>2 069</b>
accrued	5 610
restored	3 834
<b>Data as of 01.01.2021</b>	<b>3 845</b>

## 9. Information on long-term remuneration to the employees of the Bank

For members of the Executive, Credit and Finance Committees of the Bank, managers and employees of divisions that take risks, within the framework of the Non-fixed part of remuneration, the Policy in the field of remuneration approved by the Board of Directors established a deferred remuneration depending on the results of the Bank's activities.

Deferred remuneration is payable no earlier than 3 (Three) years, except for transactions, the final financial results of which are determined earlier than the specified period.

Deferred remuneration is subject to adjustment using the quantitative indicators provided for by the Labor Policy, depending on the results of the Bank's activities in subsequent periods after its accrual.

Deferred remuneration is accrued in the absence of the following events:

- dismissal from the Bank;
- the absence of a positive or negative financial result of the Bank's activities;
- violation of the requirements of the Code of Professional Ethics and the Anti-Bribery and Corruption Policy;
- significant revision of the financial statements of the Bank;
- committing actions that cause significant damage to the Bank;
- there are cases in the reporting year of non-compliance with at least one mandatory ratio in aggregate for six or more trading days during any 30 consecutive trading days established by the Bank of Russia Instruction № 199-I dated November 29, 2019 "On mandatory ratios and surcharges to capital adequacy ratios banks with a universal license".



The amount of deferred remuneration varies depending on the responsibilities and positions of the Bank's managers and employees. The main performance indicators of the Bank for adjusting remuneration are described in the Policy in the field of remuneration.

As of 01.01.2021 the Bank has no obligation to pay Deferred Interest.

The Bank does not have post-employment benefit programs limited to fixed payments.

The Bank does not have any post-employment benefit programs that are not limited to fixed payments. The Bank does not have agreements with the Banks-Participants providing for the sharing of risks between the Bank and the Banks-Participants for any programs of material incentives for personnel, including programs with fixed and non-fixed payments.

#### 10. Information about the business combination.

For the reporting 2020 year there was no business combination.

#### 11. Information about the body that approved the accounting (financial) statements for issue

Annual accounting (financial) statements will be approved by the general meeting of the Participants no later than April 30, 2021.

President

Pradeep

Chief accountant

Silonov A.N.

March 19, 2021

